

TSANTSABANE MUNICIPALITY

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK 2015/2016 TO 2017/2018

ANNUAL BUDGET OF

TSANTSABANE MUNICIPALITY

2015/16 TO 2017/18
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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List of documents attached

Full Tariff List

Detail Capital Budget

Budget Assumptions

Abbreviations and Acronyms

BPC	Budget Planning Committee	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
MM	Municipal Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GDP	Gross domestic product	PBO	Public Benefit Organisations
GDS	Gauteng Growth and Development Strategy	PHC	Provincial Health Care
GFS	Government Financial Statistics	PMS	Performance Management System
GRAP	General Recognised Accounting Practice	PPE	Property Plant and Equipment
HR	Human Resources	PPP	Public Private Partnership
IDP	Integrated Development Strategy	PTIS	Public Transport Infrastructure System
IT	Information Technology	RG	Restructuring Grant
kℓ	kilolitre	RSC	Regional Services Council
km	kilometre	SALGA	South African Local Government Association
KPA	Key Performance Area	SDBIP	Service Delivery Budget Implementation Plan
KPI	Key Performance Indicator	SMME	Small Micro and Medium Enterprises
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		

Part 1 – Annual Budget

1.1 Mayor's Report

Introduction

Fellow Councillors, Managers and Officials, we meet at this Council Chamber to approve the Tsantsabane Municipality three-year budget for the 2015/2016, 2016/2017 and 2017/2018 financial years.

The budget has been informed by the key objectives as expressed in the Integrated Development Plan (IDP), with the emphasis again being on expediting delivery of basic services.

Honourable Councillors, our town's Integrated Development Plan (IDP) 2011-2016 is a strategic document that clearly outlines the town's development objectives and provides a policy framework that guides management in decision making related to budgeting and planning for our town within a five-year medium term period.

Outline of the Budget and IDP consultation process

Tsantsabane Municipality is committed to strengthening and extending public participation in its work. The right of communities to be heard, to be involved and to receive information is embedded in our approach to local governance.

Honourable Councillors, Section 5 (1) of the Municipal Systems Act of 2000 provides the following rights for members of a local community:

- (a) To submit written or oral recommendations to the municipal council or a political office bearer or to the administration of the municipality
- (b) The right to be informed of decisions of the municipal councils or another political structure or any political office bearer of the municipality, on matters affecting their rights, property and reasonable expectations.
- (c) To have access to information on the state of affairs of a municipality including its finances
- (d) To access municipal council and committees except when it is not reasonable to do so

Tsantsabane Municipality followed the following processes for consultation for the 2015/2016 budget and IDP:

- Initial advertisements in local media of dates, times and venues of consultation
- Held consultations with residents; non-governmental organisations, community-based organisations and labour; the women's sector; and business

The content of this consultation processes included the following:

- An overview of the 2015/2016 Budget and IDP
- Priority plans for 2015/2016
- The 2015/2016 tariffs
- 2015/2016 Mayoral Budget Speech

A brief outline of our 2015/2016 priorities and plans

I want to spend some time examining our priorities and plans for 2015/2016 financial year.

- **Effective financial management:**
We will continue with our effort on the management of billing, revenue and credit control to address the shortcomings identified by the Auditor General. We know about and remain aware of these issues and we are systematically addressing them in an on-going manner.
- **Sustainable development and environmental management:**
This is focused on implementing policies aimed at promoting sustainable development. We want to ensure that we plan and implement our policies in a way that ensures integration of all our local government economic, social and cultural programmes.
- **Doing the basics right:**
This includes removal and management of waste, cutting overgrown grass, functioning streetlights, fixing burst pipes and enforcing by-laws. A customer care system is being developed and will assist in strengthening our implementation programmes.
- **Housing and Informal settlements:**
All informal settlements must be formalised within five years. The identification of the owner and registration of each shack, it's numbering, the demarcation and fencing of the yard, as well as the location of such a shack in an identifiable street will go a long way towards ensuring containment and safety. We remain committed to delivering quality and decent housing to all our people

Balancing of budget - Tariff increases

It should be noted that the proposed increases are not happening in a vacuum, but are part and parcel of a long-term economic development plan that will deliver a Municipality which is effectively and efficiently run, with well-maintained services and facilities. The Municipality however, is affected by all sorts of external factors like inflation, to an extent by some national government policy decisions, certain international factors as well as the employment and affordability demographics of the Municipality's residents.

SERVICE	% INCREASE 2014/2015	
Rates	8.00%	
Electricity	12.20%	
Water	9.50%	
Refuse	9.00%	
Sewerage	10.00%	

Poverty relief

Honourable Councillors, this budget is targeted towards enhanced service delivery. As a Municipality we are continuously ensuring improved access to free basic services and dealing with backlogs in basic infrastructure. Several measures have also been taken to make the municipal account more affordable to poorer households.

Let's look at some of the measures we already have in place: These include:

- The first 6 kl of water is free to all registered indigent households.
- The first 50kwh of electricity is free to all registered indigent households.
- The first R30,000.00 of the market value of all residential properties and of all properties used for multiple purposes, provided one or more components of such properties are used for residential purposes, is exempt from the payment of rates in terms of Section 17(1)(h) of the Property Rates Act (2004).
- Registered Indigent Households receive an additional 20% rebate on property rates.
- We have introduced a number of extensions in deadlines to allow struggling ratepayers ample time to settle their debts;

Financial matters

The Equitable Share allocation from national Government has increased from R27 060 m in 2014/15 to R28 192 m in 2015/16, an increase of R1 132 m. The bulk of the increase is being directed towards the provision of Basic Services.

One of the major institutional challenges faced by the municipality is the implementation of the Municipal Finance Management Act (MFMA). The MFMA is geared towards ensuring effective and efficient financial management and budgeting as a way of promoting transparency, participation and accountability of municipalities.

In its commitment to a more open and transparent approach to governance at all levels, the Department of Finance has introduced Generally Recognised Accounting Practice (GRAP), a more transparent style of reporting which sets out the financial position of a Municipality in a more meaningful and user friendly manner. Tsantsabane Municipality did compile GRAP Financial Statements for 2013/14.

The asset register needs to be GRAP compliant. There are still other control challenges that need to be address during this and the next financial year.

Summary

It must be noted that this budget is cash driven and that it is critical that the forecasted debtor payment percentages must be met in order to ensure Council collects the necessary revenue to maximize service delivery. We need to implement a pre-paid water system to improve on our cash flow situation.

I am positive that this budget will help to stabilise the cash flow situation of the Council, and that it will be instrumental in changing the lives for the better for the greater Tsantsabane community.

Conclusion

We are convinced that our management team, officials and workers are committed to serve and make a lasting contribution to improve the quality of life of every citizen. We may come from different political parties, argue and differ, but on the question of addressing the bread and butter issues, the challenges facing this local government in Tsantsabane, we should speak with one voice. Anything else should be unthinkable. We have come far, but there is still a lot to be done. We are here today, to recommit ourselves to change the lives of our people for the better.

I am grateful to the members of the Financial Committee, Councillors, the Municipal Manager, the CFO and the general staff for their assistance and support during the year.

.....
MAYOR: E PHETE

1.2 Council Resolutions

It is recommended that the Council approves and adopts the following resolutions for the annual budget:

The Council of Tsantsabane Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.1. The annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus/revisit, asset management and basic service delivery targets are approved as set out in the following tables attached in the budget documentation:
 - 1.2.1. Budgeted Financial Position;
 - 1.2.2. Budgeted Cash Flows;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 1.2.4. Asset management; and
 - 1.2.5. Basic service delivery measurement.
2. The Council of Tsantsabane Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts the following tariffs as attached in the budget documentation, with effect from 1 July 2015:
 - 2.1. the tariffs for property rates which are increasing on average by 8.0%; (Refer to tariff schedule.)
 - 2.2. the tariffs for electricity which on average rate increasing by 12.20%; (Refer to tariff schedule.) NERS approved tariffs will apply.
 - 2.3. the tariffs for the supply of water on average by 9.5%; (Refer to tariff schedule.)
 - 2.4. the tariffs for sanitation services on average by 10.0%; (Refer to tariff schedule.) and
 - 2.5. the tariffs for solid waste services which are increasing on average by 9.0%. (Refer to tariff schedule.)
3. The Council of Tsantsabane Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs for other services, which are increasing on average by 10,0% percent, as set out in the attached budget documentation.
4. To give proper effect to the municipality's annual budget, the Council of Tsantsabane Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, and unspent conditional grants are cash backed as required in terms of the municipality's

funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipal Budget and Reporting Regulations, as well as various circulars issued by National Treasury, provides the guidance for budget preparation by local government.

The main items identified can be summarised as follows:

- Improved service delivery;
- Underdeveloped areas;
- Impoverished communities;
- Co-operative governance;
- Unfunded mandates, core functions service delivery agents;
- Land availability for e.g. economic development;
- Land availability for establishing tip-sites;
- Alternative service delivery options;
- Obtaining a "clean audit" inclusive of performance management;
- Delegation- and procedure manuals;
- Risk management;
- Improved planning and beyond 5 years;
- High crime rate;
- Service delivery backlogs;
- Improved maintenance programs;
- Local economic development facilitation;
- Adequacy of municipal reserves and financial sustainability;
- Curtail electricity losses;
- Tourism initiatives; and
- Improved public participation.

National Treasury's MFMA Circulars No. 58, 59, 66, 67, 70, 72, 74 and 75 were mainly used to guide the compilation of the 2015/16 MTREF. Some of the key challenges faced by the municipality when compiling the budget were:

- The on-going difficulties in the national and local economy;
- Aging roads, asbestos pipes, the capacity of the sewer work and electricity infrastructure;
- The need to prioritise projects and expenditure within the existing resource envelope;
- The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Similarly the effect of the water tariffs, as determined by the Sedibeng Water Board, on consumers. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects and the resultant operational costs associated with new infrastructure projects; and

The municipality is in an unhealthy financial position, however, it needs to at least stabilise and further strive to continuously better its financial position, coupled with acceptable levels of service delivery at affordable tariffs. The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality, and to this end the municipality is not achieving this objective. The Capital Replacement Reserve needs to be at a level where all capital spending should be funded from. Currently there are no funds in the CRR (Capital Replacement Reserve) to fund any capital projects.

The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF:

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The budget must be spent in full, and all grants should be utilised in full;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Description	Budget 2014/15 R'000	Adjustment budget 2014/15 R'000	Full year forecast 2014/15 R'000	Budget 2015/16 R'000	Budget 2016/17 R'000	Budget 2017/18 R'000
Total Revenue	185 391	188 391	188 391	188 955	213 283	237 516
Total Expenditure - Standard	193 428	207 651	207 651	194 254	209 809	227 264
Surplus/(Deficit) for the year	-8 037	-19 260	-19 260	-5 298	3 474	10 252

Total operating revenue has increase by 0.35% for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue will increase by 12.88% and 11.36% respectively, equating to a total revenue increase of R49,125 million over the MTREF when compared to the 2014/15 financial year. The main reason for the increase in revenue is service charges and sale of available land (stands).

Total operating expenditure for the 2015/16 financial year has been appropriated at R194,254 million and translates into a budgeted deficit of R5,298 million before capital transfers. When compared to the 2014/15 Adjustments Budget, operational expenditure has decreased by 6,45% in the 2015/16 budget and increases by 8,01 and 8,32% for each of the respective outer years of the MTREF. The operating surplus, before capital grant transfers, for the two outer years increases to R3,474 million for the 2016/17 financial year and then increases to R10,257 million for the 2017/18 financial year. The main reason for the increase in expenditure is employee related cost, bulk water and electricity, depreciation and debt impairment.

The capital budget of R33,150 million for 2015/16 is 5,78 per cent less when compared to the 2014/15 Adjustment Budget. The capital programme further decreases to R32,512 million in the 2016/17 financial year and then increases in 2017/18 financial year to R40,970 million. A substantial portion of the capital budget will be funded from grants (R15,159 million 2015/16) over the MTREF, own revenue (R4,410 million) and loans to the value of R10,5 million making up the other funding sources.

1.4 Operating Revenue Framework

For Tsantsabane Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges and will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- A financially sustainable municipality;
- National Treasury's guidelines and macroeconomic policy;
- Limited growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a **80,0** per cent annual collection rate for property rates and other key service charges. This percentage is high compared to past history, but is being calculated conservatively due to the signs of financial stress currently being experienced;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The inflation forecasts for the MTREF period is on average 5,5% per annum. The municipality's aim is to not exceed inflation in its annual tariff adjustments but external factors such as the Eskom increases and which are beyond the control of the municipality hampers this goal. **Tariffs are not cost reflected and needs to be cost reflected. The tariff increase will be more than the average inflation forecast.**

In order to ensure all revenues are raised and recovered and further that all ratepayers are being treated equitably, the municipality identified certain areas of concern and is busy implementing measures to address these problem areas.

Strategy
Maintain and improve on debt collection
Secure new sources of income
Counter the potential loss in electricity/water income as well as line-losses
Ensure an accurate and well maintained income database
Secure more external funding and government grants for soft services including long term funding for operating expenses
Monitor the financial health of the Municipality and cash-back all reserves

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):
(Excluding Capital Transfers)

NC085 Tsantsabane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	6 040	10 546	24 108	21 447	23 447	23 447	23 447	26 000	29 520	32 733
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	27 616	37 525	37 404	42 295	45 295	45 295	45 295	50 607	62 548	71 719
Service charges - water revenue	2	2 577	21 790	17 757	32 315	32 315	32 315	32 315	28 518	31 559	34 890
Service charges - sanitation revenue	2	9 540	7 497	9 969	7 000	7 000	7 000	7 000	12 250	13 608	15 378
Service charges - refuse revenue	2	1 773	3 906	8 016	5 917	6 117	6 117	6 117	10 506	12 661	15 356
Service charges - other											
Rental of facilities and equipment		478	302	293	304	304	304	304	230	246	265
Interest earned - external investments		1 162	1 639	880	265	265	265	265	510	546	587
Interest earned - outstanding debtors											
Dividends received											
Fines		83	156	72	290	290	290	290	310	332	357
Licences and permits		874	821	263	385	385	385	385	383	410	441
Agency services		591	678	637	650	650	650	650	800	856	920
Transfers recognised - operational		88 516	48 879	29 306	32 303	30 103	30 103	30 103	30 997	31 825	33 604
Other revenue	2	884	41 992	37 019	12 220	12 220	12 220	12 220	4 844	4 562	4 811
Gains on disposal of PPE		232	-	29 000	30 000	30 000	30 000	30 000	23 000	24 610	26 455
Total Revenue (excluding capital transfers and contributions)		140 366	175 731	194 724	185 391	188 391	188 391	188 391	188 955	213 283	237 516

The growth in revenue contributions are indicated above (Excluding Capital Transfers). In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality, but measured against other municipalities e.g. the Northern Cape, the percentage is relatively low and is a clear indication of the level of unemployment in the municipal area. Rates and service charge revenues are constant at about 50 per cent of the total revenue mix over the MTREF period. In the 2015/16 financial year, revenue from rates and services charges totalled R127,881 million or 67,68 per cent.

This increases to an estimated R149,896 million (70,28%) in (2016/17) and R170,076 million (71,61%) in (2017/18) over the respective financial years of the MTREF. A notable trend is therefore the increase in the total percentage revenue generated from rates and services charges. This growth can be mainly attributed to the increased share that the sale of electricity and water contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Revenue foregone, (mainly to the indigent) is estimated to equal about 5.0 per cent of billable revenue (2015/16), placing a strain on revenue sources. Details in this regard are contained below.

Description	2011/12 Audited Outcome	2012/13 Audited Outcome	2013/14 Audited Outcome	2014/15 Original Budget	2014/15 Adjustment Budget	2014/15 Full year forecast	2015/16 Budget Year	2016/17 Budget Year	2017/18 Budget Year
R thousand	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Indigent subsidy									
Water	2 839	761	1 117	2 000	2 000	2 000	2 200	2 354	2 531
Electricity	535	754	608	1 280	1 280	1 280	1 500	1 605	1 725
Sewer	3 002	3 238	3 230	3 300	4 100	4 100	4 200	4 494	4 831
Refuses	1 870	2 760	2 753	1 889	2 689	2 689	2 200	2 354	2 531
Total	8 246	7 513	7 708	8 469	10 069	10 069	10 100	10 807	11 618

Tariffs for indigent households are set out below:

1	Rates free of charge to the value based on market value of his property to the maximum of R30 000
2	50 kWh free electricity per month
3	6 kiloliters of water free per month
4	Free refuse x 4 removal per month
5	Free sewerage per month

Property rates is the 3rd largest revenue source, (excluding grants) and is source totalling 20.54 per cent or R23,447, million rand (2014/15) and increases to R26,0 million (20.33 per cent) by 2015/16. (Before revenue foregone).

A new valuation roll was implemented as from the 1st July 2013. The supplementary valuation roll will be implemented during 2015. Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

Operating grants and transfers totals R33,842 million in the 2015/16 financial year and increase to R34,894 million by 2016/17. The grants increase to R36,80 million in 2017/18. Refer to table SA 18 under.

NC085 Tsantsabane - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		18 662	27 722	29 685	30 794	28 594	28 594	31 997	32 751	34 528
Local Government Equitable Share		15 990	25 422	26 145	27 060	24 860	24 860	28 192	28 784	30 150
Finance Management		1 450	1 500	1 650	1 800	1 800	1 800	1 875	2 010	2 345
Municipal Systems Improvement		790	800	890	934	934	934	930	957	1 033
EPWP Incentive		432		1 000	1 000	1 000	1 000	1 000	1 000	1 000
Other transfers/grants [insert description]										
Provincial Government:		3 240	14 926	621	1 509	1 509	1 509	1 845	2 143	2 272
Health subsidy		2 732	959	-	424	424	424			
Housing			13 470	-						
Library Development Grant		508	497	621	1 085	1 085	1 085	1 845	2 143	2 272
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Operating Transfers and Grants	5	21 902	42 648	30 306	32 303	30 103	30 103	33 842	34 894	36 800
Capital Transfers and Grants										
National Government:		38 536	14 420	14 282	14 760	14 760	14 760	15 159	15 598	16 255
Municipal Infrastructure Grant (MIG)		11 888	14 420	14 282	14 760	14 760	14 760	15 159	15 598	16 255
Regional Bulk Infrastructure		26 648								
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total Capital Transfers and Grants	5	38 536	14 420	14 282	14 760	14 760	14 760	15 159	15 598	16 255
TOTAL RECEIPTS OF TRANSFERS & GRANTS		60 438	57 068	44 588	47 063	44 863	44 863	49 001	50 492	53 055

Operating grants usually fluctuates upwards or downwards from year-to-year, as the revenue recognition for such grants depends only on compliance with any conditions attached to such grants and it is also dependant on the funding available from the other spheres of Government.

The unconditional Equitable Share Grant, however, is a grant growing annually according to a formula determined nationally and such formula is applicable to all local authorities on an equal basis.

Tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 5.8 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by an external agency, the impact it has on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

The municipality budgets for the non-payment of accounts based on past experience of recovery rates. The municipality applies its Credit Control Policy but there are always situations where there are defaults on payment. Past experience indicates that contribution for bad debt over the revenue for rates, service charges and rent of facilities on credit percentage should not be more than 10 per cent, however, a cautionary approach is taken in this budget due to the signs of economic stress being experienced by the community.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA) Tsantsabane Municipality increase the value to R30 000;

- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy to a maximum valuation of R30 000;
- The limit for indigent households is twice the amount of government social pensions.

The municipality investigates a tariff structure consistent with operational requirements but also to ensure that the ratepayers are not over-burdened.

The categories of rateable properties for purposes of levying rates and the proposed rates for the 2015/16 financial year will be based on a general 8.0 per cent increase from 1 July 2015. A new valuation roll was implemented as from 1 July 2013. Tsantsabane Municipality did a supplementary valuation roll that will be implemented during 2015. The supplementary valuation roll will increase the revenue (property rates).

The proposed tariffs for 2015/16 are as follows:

Residential Properties	R0.00575/R value
Business Properties	R0.00861/R value
Mining Properties	R0.02299/R value
Agricultural Properties	R0.000345/R value (1 : 0.06)

1.4.2 Sale of Water and Sanitation and the Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

The municipality obtains water from Sedibeng at a cost of **R9.46/kl** (2015/16). Furthermore, the water tariffs to the consumers are not cost reflective and as such the tariffs will increase substantially from the 2015/16, 2016/17 and 2017/18 financial years. The proposed tariffs for the 2015/16 financial year are as follows:

4. WATER		9.5%		
4.1. ALL USERS		2015/2016 Tariff	2014/15 Tariff	% Increase
4.1.1 Water				
0 - 06 Kiloliter	(6 kl)	10.11	9.49	6.50%
07 - 12 Kiloliter	(6 kl)	11.75	10.93	7.50%
13 - 30 Kiloliter	(18 kl)	13.76	12.57	9.50%
31 and more		18.81	16.72	12.50%
4.1.2 Hospitals, Old Age Homes Schools and Hostels				
	R 8.73 per kiloliter		R 8.20	2014/15

Currently, Tsantsabane municipality cannot determine what the water losses are. The municipality need urgently to measure the losses. The outstanding water account form Sediben

amounts to more than R10 million and needs urgent attention. If the water losses are minimised, the monthly bill of Sedibeng will decrease substantially. The municipality needs to ring-fence the water supply and determine what the actual cost per kl should be. Tsantsabane Municipality need to make use of their own boreholes to minimize the usage of Sedibeng water. We need to be less dependent on Sedibeng water in 2015/16 financial year.

The municipality needs continuously to explore ways to limit the water losses to an acceptable level. There will always be water line losses due to burst pipes and as repairs thereof requires flushing of systems before being distributed again. However any losses above 13% is considered excessive by the Auditor-General's office and regarded as fruitless expenditure. The municipality will continue to monitor reasons for the excessive losses and to improve systems to limit the water losses to below 10%.

Sanitation fees

Similarly, the tariffs for sanitation are not cost reflective and may be subjected to significant increases. The proposed tariffs are listed below:

TSANTSABANE MUNICIPALITY					
SUPPORTING TABLE 13(a)					
OTHER TARIFFS 2015/2016					
1. SEWERAGE 10.00%					
1.1. RESIDENTIAL AND ALL OTHER ERVEN NOT DESCRIBED BELOW					
	Area		2015/2016 Tariff	2014/15 Tariff	% Increase
#	Residential	Alle erwe	R 193.84	R 176.22	10.00%
		Guest Houses	R 484.00	R 440.00	10.00%
	Flats	Per Flat	R 193.84	R 176.22	10.00%
	Businesses	Alle besighede	R 484.00	R 440.00	10.00%
	Mall		R 7 139.00	R 6 490.00	10.00%
# An additional amount of R193. 84 per unit will be levied on households with more than one living unit.					

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. An 14,24 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2015.

Considering the Eskom increases, the consumer tariff had to be increased by 12,2 per cent to offset the additional bulk purchase cost from 1 July 2015. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

ELECTRICITY TARIFFS & CHARGES

The approved tariffs will be included in the budget after NERSA approved the tariffs.

Electricity is regarded as a trading account which should make a profit, although NERSA monitors and limits this profit to about 10% if possible. The municipality does make a profit on electricity for the past year. (2013/14) According to the 2013/14 audited financial statements, the profit on the sale of electricity was R9 344 million.

Description Standard Classification Electricity	2011/12 Audited Outcome	2012/13 Audited Outcome	2013/14 Audited Outcome	2014/15 Original Budget	2014/15 Adjustment Budget	2014/15 Full year forecast	2015/16 Budget Year	2016/17 Budget Year	2017/18 Budget Year
R thousand	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Income	27 953	37 824	37 418	43 575	46 575	46 575	50 607	62 548	71 719
Expenditure	23 909	29 434	28 074	40 130	45 130	45 130	40 659	43 799	47 242
Surplus/(Deficit)	4 044	8 390	9 344	3 445	1 445	1 445	9 948	18 749	24 477

The surplus on the electricity service over the MTREF is 19,66 per cent for 2015/16 and 29,98 per cent and 34,13 per cent for the outer years

Electricity line losses are not continuously monitored. It can represent a significant financial loss for the municipality. In general electricity line losses of 10% is being regarded as “acceptable” in the industry and Tsantsabane is well above that norm. Tsantsabane needs to take action and monitor the losses.

Comparison between current electricity charges and increases

It should further be noted that NERSA has advised that a stepped tariff structure must be used. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). A stepped tariff structure has been implemented as from 1 July 2013.

1.4.4 Waste Removal and Impact of Tariff Increases

Solid waste removal was operating at a surplus which indicates that the tariffs are cost reflective for 2013/14. The projected surplus/loss on the service for 2015/16 are R239 378 (2,28%), R1 676 million for 2016/17 (13,24%) and R3,153 million (23,09%) over the MTREF period. It is widely accepted that the rendering of this service should at least break even, which is currently the case for the MTREF period.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to the expenditure are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration of officials. In addition, the cost of new landfill sites, the effect of depreciation and rehabilitation on these landfill sites all plays an important role in the projected losses or surpluses. It is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation should be incorporated into the next planning cycle.

The total expenditure on solid waste removal don't include all the cost that the mines are currently contributed towards the landfill site. When we calculate the cost-reflected tariff for solid waste removal, we need to add the cost that the mines are currently carried for the

maintenance of the landfill site. We did budget for an additional amount of R1,5 million to maintain the landfill site. Tsantsabane need the correct equipment to maintain the landfill site.

A general 9,0 per cent increase in the waste removal tariff is proposed as from 1 July 2015. Higher increases will not be viable in 2015/16 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would not only be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt, but also, although on a small scale, not assisting the national government in reaching the CPIX target of between 3 and 6 per cent.

The following table compares current and proposed amounts payable from 1 July 2015:

Comparison between current waste removal fees and increases

2. REFUSE	9.00%		
2.1. RESIDENTIAL	9.00%		
2.1.1	R 123.06	per home per month	R 112.90 2014/15
2.1.1.a	R 123.06	per additional living unit	
2.1.2	100% Rebate for registered indigents		
2.2.3	An additional rebate of 20% for pensioners subject to the following conditions as included in the budget, to differentiate between different consumer categories:		
✓	1.	Applicant must be 60 years or older;	
✓	2.	The applicant is living and receives a consumer account in the dwelling for the rebate requested.	
✓	3.	A total household income of less than R28,800.00 per year.	
2.2. BUSINESSES	9.00%		
2.2.1	R 356.10	per point per month	R 326.70 2014/15
2.2.2	R 15 537.41	per maand vir Mall	R 14 254.50 2013/14
2.3. INDUSTRIAL	9.00%		
2.3.1	R 356.10	per point per month	326.70 2014/15
2.4. RUBBISH BINS	9.00%		
2.4.1	R 284.04		R 260.59 2014/15

1.4.5 Overall impact of tariff increases on households

Note that in all instances the overall impact of the tariff increases on household's bills has been about 10,5%.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- Guidance provided by National Treasury in Circular 66, 67, 70, 72, 74 and 75;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Limitation on tariff increases.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

NC085 Tsantsabane - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type											
Employee related costs	2	35 734	43 299	46 654	57 707	61 083	61 083	61 083	63 744	68 206	73 321
Remuneration of councillors		2 286	2 603	3 831	2 892	2 992	2 992	2 992	2 915	3 119	3 353
Debt impairment	3	7 658	22 706	19 146	18 792	18 792	18 792	18 792	10 330	11 053	11 882
Depreciation & asset impairment	2	27 010	19 277	8 627	30 125	30 125	30 125	30 125	15 227	16 293	17 515
Finance charges		2 797	4 758	5 398	388	388	388	388	2 048	2 191	2 356
Bulk purchases	2	23 576	32 963	37 807	32 800	39 600	39 600	39 600	42 250	46 910	52 173
Other materials	8		2 156	3 499					8 388	8 972	9 639
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	18 537	22 513	25 297	50 724	54 671	54 671	54 671	49 351	53 065	57 025
Loss on disposal of PPE			32								
Total Expenditure		117 598	150 307	150 259	193 428	207 651	207 651	207 651	194 253	209 809	227 264

The budgeted allocation for employee related costs for the 2015/16 financial year totals R63,744 million, which equals 30,69 per cent of the total adjusted operating expenditure. This percentage increases to 32,81 per cent (2015/16) and 32,51 per cent (2016/17) and 32,26 per cent (2017/18) in the outer years of the MTREF period. Should debt impairment and depreciation be excluded, in order to compare it with other municipalities on an more equal basis, the costs represent 37,79 per cent (2015/16) of the expenditure and decrease to 37,38 per cent and decrease to 37,06 per cent in the outer years. Based on the guidance provided by National Treasury in Circular 58 and 67, salary increases have been factored into this budget at a percentage increase of 7,3 per cent for the 2015/16 financial year. An annual increase of 7.0 per cent (2016/17) and 7.5% (2017/18) has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on the Debt Write-off Policy of the Municipality. For the 2015/16 financial year this amount equates to R10,330 million and escalates to R11,053 million by (2016/17) and R11,882 million by (2017/18). While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R15,227 million for the 2015/16 financial year and equates to 8,51 per cent of the total operating expenditure. In order to measure it against other municipalities, if electricity bulk purchases are eliminated, it represents 10,18 per cent of the expenditure. The average for local municipalities in recent research is 13,76 per cent. The difference indicating that expected useful lives and depreciation rates are average.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up just more than 1 per cent of operating expenditure excluding annual redemption for 2015/16.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. Electricity bulk purchases represents 16.85 per cent (2015/16) of expenditure and increase to 17,87 per cent (2016/17) and 17.80 per cent (2017/18) in the outer years.

National Treasury is introducing a new Chart of Accounts and additional expenditure line-items in the budget. One of these line-items is "Other materials". Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been identified in order to measure sustainability of the Municipality's infrastructure. The municipality's financial systems are, however, not yet ready to implement this change and will be addressed in future budgets. However, we did budget for the implementation of SCOA that need to be implemented by 30 June 2017.

Contracted services have been identified as a cost saving area for the Municipality. Management will in the budget year further investigate projects which can be used for contracted services as an extension of the Extended Public Works Program. As part of the process of identifying further cost efficiencies, a business process re-engineering project will commence in the 2015/16 financial year to identify alternative practices and procedures based on solid approved policies.

Other expenditure comprises of various line items relating to the daily operations of the municipality, but also operating grant expenditures. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. These expenditure items are listed below:

NC085 Tsantsabane - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'											
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Other Expenditure By Type											
Audit fees		198	1 550	3 828	1 900	2 300	2 300	2 300	2 300	2 461	2 646
General expenses	3	541	7 985	858	12 056	14 551	14 551	14 551	19 288	20 054	21 622
Repair and maintenance		1 637	2 156	3 498	8 418	9 168	9 168	9 168	-	-	-
Operating Grant Expenditure		7 756	2 931	3 434	11 203	11 203	11 203	11 203	10 100	10 807	11 618
Advertising		155	256	257	411	411	411	411	333	356	382
Advertising and Tourism		-	11		75	75	75	75	611	654	703
Bank charges		2 797	680	350	790	790	790	790	457	488	525
Chemicals		233	153	384	450	450	450	450	695	744	799
Cleaning material		65	125	108	-			-			
Computer services and License fees		98	382	895	1 400	1 400	1 400	1 400	1 500	1 605	1 725
Entertainment cost		215	82	57	116	116	116	116	181	194	208
Fines		48	-	-				-			
Insurance		342	764	305	816	816	816	816	886	948	1 019
License fees- vehicles		229	1	-	-			-			
Local Economic development		-	181	-	250	250	250	250	517	1 360	1 382
Motor vehicle expenses		1 298	1 251	1 989	1 962	1 962	1 962	1 962	1 858	1 988	2 137
Oil and Lubricants		263	-	-	-			-			
Postage		263	430	254	656	656	656	656	484	518	556
Printing and stationary		347	563	397	827	827	827	827	1 163	1 245	1 338
Professional and consultancy fees		-	333	6 919	3 716	4 018	4 018	4 018	3 150	3 391	3 623
Rental paid		8	415		143	143	143	143	100	107	115
ZFM District Contribution		-	-	-	1 040	1 040	1 040	1 040	1 118	1 176	1 286
Telephone cost		974	993	881	970	970	970	970	1 397	1 531	1 646
Valuation cost		192	692	-	250	250	250	250	300	321	345
Security service		-	221	-				-			
Service charges		129	358	-	1 436	1 436	1 436	1 436	1 061	1 135	1 220
Travel Allowances		749	-	883	1 839	1 839	1 839	1 839	1 852	1 982	2 130
Total 'Other' Expenditure	1	18 537	22 513	25 297	50 724	54 671	54 671	54 671	49 351	53 065	57 025

Main operational expenditure categories for the 2015/16 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2015/16 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset management policy. Council needs to adopt a repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

Considering these cost drivers, National Treasury requires municipalities to adapt their costing systems to reflect these costs as Repairs and Maintenance. The municipality financial systems, as yet, cannot provide for this request and it will be implemented with SCOA.

During the compilation of the 2015/16 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, the municipality identified this, together with other strategic items, as priority to be investigated and changes to be incorporated into the next budget, if not already to the 2014/15 Adjustments Budget. The table below provides a breakdown of the repairs and maintenance in relation to departments:

Repairs and maintenance per department

REPAIRS & MAINTENANCE COST: 2015/16 - 2017/18			
Department	R & M 2015/16	R & M 2016/17	R & M 2017/18
RATES AND GENERAL	0	0	0
CEMETARY	7 000	7 490	8 052
LIBRARY	106 000	113 420	121 927
FIRE FIGHTING	64 000	68 480	73 617
COMMONAGE	10 000	10 700	11 503
CARAVAN PARK	104 000	111 280	119 627
MUNICIPAL BUILDINGS AND PROPERTY	435 000	465 450	500 359
PARKS AND RECREATION	210 000	224 700	241 553
HEALTH DEPARTMENT	500	535	575
PUBLIC WORKS AND STREETS	648 375	693 761	745 793
SEWERAGE PLANT - POSTMASBURG	1 335 000	1 428 450	1 535 585
SECURITY	0	0	0
POUND	0	0	0
MA YORAL OFFICE	0	0	0
CORPORATE SERVICES	304 000	322 112	340 125
HUMAN RESOURCES	0	0	0
MUNICIPAL MANAGER	510 000	545 700	586 627
COUNCIL GENERAL	0	0	0
FINANCIAL DEPARTMENT	50 000	53 500	57 513
SWIMMING POOL	147 500	157 825	169 663
RETICULATION NETWORK	327 000	349 890	376 132
TRAFFIC	181 000	193 670	208 195
REFUSE - POSTMASBURG	390 000	417 300	448 598
WORKSHOP	87 000	93 090	100 072
ELECTRICITY - POSTMASBURG	1 772 000	1 896 040	2 038 244
WATER - POSTMASBURG	1 700 000	1 819 000	1 955 425
HOUSING	0	0	0
TOTAL EXPENDITURE	8 388 375	8 972 393	9 639 185

Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register all indigent households during the 2015/16 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained below.

The cost of the social package of the registered indigent households is financed by the municipality self and largely by utilising the municipality's unconditional equitable share, allocated in terms of the Constitution to local government, and received in terms of the annual Division of Revenue Act. The indigent subsidy as a result of free basic services totals R13,644 million (2015/16) in the budget year and increasing to R14,820 million and R10,1 million in the outer years.

NC085 Tsantsabane - Table A10 Basic service delivery measurement										
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		2 593	2 640	2 655	2 675	2 675	2 675	2 694	2 715	2 738
Sanitation (free minimum level service)		2 593	2 640	2 655	2 675	2 675	2 675	2 694	2 715	2 738
Electricity/other energy (50kwh per household per month)		2 593	2 640	2 655	2 675	2 675	2 675	2 694	2 715	2 738
Refuse (removed at least once a week)		2 593	2 640	2 655	2 675	2 675	2 675	2 694	2 715	2 738
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		1 378	1 679	1 975	2 163	2 163	2 163	2 379	2 593	2 200
Sanitation (free sanitation service)		2 678	3 590	4 021	4 323	4 323	4 323	4 755	5 230	4 200
Electricity/other energy (50kwh per household per month)		1 518	2 348	2 700	2 900	2 900	2 900	3 117	3 366	1 500
Refuse (removed once a week)		1 621	2 507	2 883	3 171	3 171	3 171	3 393	3 631	2 200
Total cost of FBS provided (minimum social package)		7 195	10 124	11 579	12 556	12 556	12 556	13 644	14 820	10 100

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote for the 2015/16 financial year:

2015/16 Medium-term capital budget per vote

CAPITAL BUDGET: 2015/16 - 2017/18			
Department	CAPITAL 2015/16	CAPITAL 2016/17	CAPITAL 2017/18
RATES AND GENERAL	0	0	0
CEMETARY	50 000	55 000	60 500
LIBRARY	81 000	69 500	81 350
FIRE FIGHTING	15 000	20 000	15 000
COMMONAGE	0	0	0
CARAVAN PARK	0	0	0
MUNICIPAL BUILDINGS AND PROPERTY	27 000	36 000	26 400
PARKS AND RECREATION	115 000	131 500	154 500
HEALTH DEPARTMENT	0	0	0
PUBLIC WORKS AND STREETS	18 159 000	15 598 000	16 255 000
SEWERAGE PLANT - POSTMASBURG	0	0	0
SECURITY	0	0	0
POUND	0	0	0
MAYORAL OFFICE	123 000	1 200	0
CORPORATE SERVICES	1 231 400	674 000	709 000
HUMAN RESOURCES	286 000	0	0
MUNICIPAL MANAGER	184 000	70 000	73 000
COUNCIL GENERAL	265 000	250 000	4 500 000
FINANCIAL DEPARTMENT	1 456 000	900 000	300 000
SWIMMING POOL	0	0	0
RETICULATION NETWORK	0	0	0
TRAFFIC	576 500	607 150	675 200
REFUSE - POSTMASBURG	80 000	100 000	120 000
WORKSHOP	0	0	0
ELECTRICITY - POSTMASBURG	0	0	0
WATER - POSTMASBURG	8 000 000	9 500 000	12 000 000
HOUSING	2 500 000	4 500 000	6 000 000
TOTAL EXPENDITURE	33 148 900	32 512 350	40 969 950

Tsantsabane Municipality experience cash flow problems and the allocation to the capital program is totally insufficient for all the expansions' that needs to take place. The second phase of the sewer treatment plant needs to be upgraded. The old infrastructure (asbestos pipes) needs to be replaced. The water storage capacity needs to be upgraded. Additional water sources needs to explore. The main roads need to be upgraded. Office space is a serious problem and additional offices need to be erected.

The SDF (special development framework) are in the process to be reviewed to determine where to develop. Land must be made available to developers and individuals for housing and businesses. Bulk services needs to be upgraded to accommodate all the developments. The bulk services fees increase from **R51 500.00** per stand to **R55 500.00** per stand. Council must not allow any development to take place if there is no service level agreement in place.

The allocation to roads amounts to R50,012 million over the MTREF, of which R18,159 million is allocated to the 2015/16 financial year, R15,598 million for the 2016/17 and R16,255 million to the 2017/18 year.

The municipality is experiencing difficulties with regards to the landfill site. The landfill site is not register and the property belongs to the National Government. The municipality needs to engage with the Provincial Government to transfer the property to the Municipality and licence the landfill site. This not only leaves the municipality with harming the environment, but also the prospect of incurring huge fines and is it necessary to ensure the municipality complies with all requirements. There is no budget provides for the MTREF to establishment a new landfill site.

Kolomela and Assmang helped the municipality with the operating of the landfill site. An amount of R1,5 million was budgeted for the maintenance of the landfill site. The municipality need proper equipment (front-end-loader) and personnel to operate the landfill site.

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table SA35.

NC085 Tsantsabane - Supporting Table SA35 Future financial implications of the capital budget

Vote Description	Ref	2015/16 Medium Term Revenue & Expenditure Framework			Forecasts			
		Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Present value
R thousand								
Capital expenditure	1							
Vote 1 - Executive & Council		573	321	4 573	2 750	15 000	7 500	
Vote 2 - Budget & Treasury		1 456	900	300	3 300	1 000	380	
Vote 3 - Corporate Services		1 544	710	735	150	750	650	
Vote 4 - Community & Social Services		131	125	142	300	1 200	200	
Vote 5 - Sport & Recreation		115	132	155	300	4 500	6 000	
Vote 6 - Public Safety		592	626	690	250			
Vote 7 - Road Transport		18 159	15 598	16 255	24 000	27 000	35 000	
Vote 8 - Electricity		-	-	-	5 000	35 000	25 000	
Vote 9 - Water		8 000	9 500	12 000	3 500	2 000	1 500	
Vote 10 - Waste Water Management		-	-	-	10 000	35 000	55 000	
Vote 11 - Waste Management		80	100	120	5 800	8 500		
Vote 12 - Housing		2 500	4 500	6 000				
Vote 13 - Planning & Development		-	-	-				
Vote 14 - Health		-	-	-				
Vote 15 - Other		-	-	-	600	800		
List entity summary if applicable								
Total Capital Expenditure		33 150	32 512	40 970	55 950	130 750	131 230	-
Future operational costs by vote	2							
Vote 1 - Executive & Council					96	525	263	
Vote 2 - Budget & Treasury					99	30	11	
Vote 3 - Corporate Services					5	23	20	
Vote 4 - Community & Social Services					-	-	-	
Vote 5 - Sport & Recreation					-			
Vote 6 - Public Safety					-			
Vote 7 - Road Transport		999	858	894	1 320	1 485	1 925	
Vote 8 - Electricity					275	1 925	1 375	
Vote 9 - Water		440	523	660	193	110	83	
Vote 10 - Waste Water Management					550	1 925	3 025	
Vote 11 - Waste Management					5 800	8 500	-	
Vote 12 - Housing					-	-	-	
Vote 13 - Planning & Development					-	-	-	
Vote 14 - Health					-	-	-	
Vote 15 - Other					-	-	-	
List entity summary if applicable								
Total future operational costs		1 439	1 380	1 554	8 337	14 523	6 701	-
Future revenue by source	3							
Property rates		999	858	894	15 000	16 500	18 500	
Property rates - penalties & collection charges								
Service charges - electricity revenue					4 000	5 623	6 017	
Service charges - water revenue		440	523	660	2 500	3 200	3 424	
Service charges - sanitation revenue					1 787	1 950	2 102	
Service charges - refuse revenue					1 000	1 500	1 888	
Service charges - other								
Rental of facilities and equipment								
Grant Kolomela/Assmang					30 000	65 000	80 000	
Sale of Land					10 000	51 500	26 000	
Total future revenue		1 439	1 381	1 554	64 287	145 273	137 931	-
Net Financial Implications		33 150	32 511	40 970	0	-	(0)	-

1.7 Annual Budget Tables

(The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/16 budget and MTREF to be approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.)

Table A1 - Budgeted Summary

NC085 Tsantsabane - Table A1 Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousands										
Financial Performance										
Property rates	6 040	10 546	24 108	21 447	23 447	23 447	23 447	26 000	29 520	32 733
Service charges	41 506	70 718	73 146	87 527	90 727	90 727	90 727	101 881	120 376	137 343
Investment revenue	1 162	1 639	880	265	265	265	265	510	546	587
Transfers recognised - operational	88 516	48 879	29 306	32 303	30 103	30 103	30 103	30 997	31 825	33 604
Other own revenue	3 142	43 949	67 284	43 849	43 849	43 849	43 849	29 567	31 016	33 249
Total Revenue (excluding capital transfers and contributions)	140 366	175 731	194 724	185 391	188 391	188 391	188 391	188 955	213 283	237 516
Employee costs	35 734	43 299	46 654	57 707	61 083	61 083	61 083	63 744	68 206	73 321
Remuneration of councillors	2 286	2 603	3 831	2 892	2 992	2 992	2 992	2 915	3 119	3 353
Depreciation & asset impairment	27 010	19 277	8 627	30 125	30 125	30 125	30 125	15 227	16 293	17 515
Finance charges	2 797	4 758	5 398	388	388	388	388	2 048	2 191	2 356
Materials and bulk purchases	23 576	35 119	41 306	32 800	39 600	39 600	39 600	50 638	55 882	61 812
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	26 195	45 251	44 443	69 516	73 463	73 463	73 463	59 681	64 118	68 907
Total Expenditure	117 598	150 307	150 259	193 428	207 651	207 651	207 651	194 253	209 809	227 264
Surplus/(Deficit)	22 768	25 425	44 465	(8 037)	(19 260)	(19 260)	(19 260)	(5 298)	3 474	10 252
Transfers recognised - capital	11 888	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed a	183 192	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	217 848	25 425	44 465	(8 037)	(19 260)	(19 260)	(19 260)	(5 298)	3 474	10 252
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	217 848	25 425	44 465	(8 037)	(19 260)	(19 260)	(19 260)	(5 298)	3 474	10 252
Capital expenditure & funds sources										
Capital expenditure	66 225	52 898	23 532	36 444	35 183	35 183	35 183	33 150	32 512	40 970
Transfers recognised - capital	-	14 480	-	14 760	14 760	14 760	14 760	18 240	15 598	16 255
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	8 900	8 900	8 900	8 900	10 500	14 000	22 500
Internally generated funds	66 225	38 418	23 532	12 784	11 523	11 523	11 523	4 410	2 914	2 215
Total sources of capital funds	66 225	52 898	23 532	36 444	35 183	35 183	35 183	33 150	32 512	40 970
Financial position										
Total current assets	35 951	37 935	55 458	25 800	25 800	25 800	25 800	64 000	93 300	56 080
Total non current assets	677 743	833 926	848 025	601 958	601 958	601 958	601 958	612 570	639 475	670 500
Total current liabilities	68 562	83 268	90 713	33 082	33 082	33 082	33 082	39 680	25 490	28 255
Total non current liabilities	18 655	25 411	22 704	8 300	8 300	8 300	8 300	14 450	10 750	14 750
Community wealth/Equity	626 477	763 183	790 066	586 376	586 376	586 376	586 376	622 440	696 535	683 575
Cash flows										
Net cash from (used) operating	235 346	22 905	(13 364)	(6 752)	(6 752)	(6 752)	(6 752)	12 418	21 808	29 449
Net cash from (used) investing	(215 696)	(16 005)	(10 082)	50	50	50	50	5 766	10 062	11 400
Net cash from (used) financing	-	(7 794)	6 920	8 525	8 525	8 525	8 525	7 609	10 680	18 865
Cash/cash equivalents at the year end	19 650	(894)	(16 526)	1 823	1 823	1 823	1 823	20 793	63 343	123 057
Cash backing/surplus reconciliation										
Cash and investments available	20 500	11 654	(4 681)	14 000	14 000	14 000	14 000	22 000	33 800	36 200
Application of cash and investments	(3 724)	56 843	46 995	22 146	22 465	22 465	22 465	18 762	11 663	21 821
Balance - surplus (shortfall)	24 224	(45 188)	(51 676)	(8 146)	(8 465)	(8 465)	(8 465)	3 238	22 137	14 379
Asset management										
Asset register summary (WDV)	-	6 974	6 437	30 382	30 382	30 382	12 570	12 570	-	-
Depreciation & asset impairment	27 010	19 277	8 627	30 125	30 125	30 125	15 227	15 227	16 293	17 515
Renewal of Existing Assets	66 225	5 500	-	36 444	35 183	35 183	35 183	33 150	32 512	40 970
Repairs and Maintenance	1 675	2 156	3 498	8 418	9 168	9 168	8 388	8 388	8 972	9 639
Free services										
Cost of Free Basic Services provided	7	10	12	13	13	13	14	14	15	10
Revenue cost of free services provided	11 559	15 468	13 426	17 212	17 212	17 212	18 417	18 417	19 761	488
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	0	-	-	-	-	-	-	-
Energy:	-	-	0	-	-	-	-	-	-	-
Refuse:	-	-	0	-	-	-	-	-	-	-

Explanatory notes to Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
 - a. Financial management reforms emphasises the importance of the municipal budget being funded. The current budget (2015/16) is not fully funded as required by National Treasury. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF.
 - b. Capital expenditure should be balanced by capital funding sources. The CRR (capital replacement reserve) should be cash backed. Currently there are no funds in the CRR.
3. The cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently none of its obligations are cash-backed.

MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

NC085 Tsantsabane - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		209 431	64 553	79 294	84 958	86 238	86 238	81 495	87 483	94 441
Executive and council		64	30	202	-	-	-	23 000	24 610	26 456
Budget and treasury office		203 215	53 821	51 433	63 511	62 791	62 791	32 485	33 343	35 240
Corporate services		6 152	10 702	27 659	21 447	23 447	23 447	26 010	29 530	32 745
<i>Community and public safety</i>		3 623	2 525	8 414	1 862	1 862	1 862	1 834	1 486	1 575
Community and social services		459	882	673	1 343	1 343	1 343	1 358	977	1 028
Sport and recreation		432	90	12	95	95	95	476	509	547
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	707	7 729	-	-	-	-	-	-
Health		2 732	846	-	424	424	424	-	-	-
<i>Economic and environmental services</i>		63 013	37 935	25 426	2 575	2 575	2 575	3 745	3 938	4 157
Planning and development		235	241	280	-	-	-	-	-	-
Road transport		62 778	37 694	25 146	2 575	2 575	2 575	3 745	3 938	4 157
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		59 379	70 718	81 590	95 996	97 716	97 716	101 881	120 376	137 343
Electricity		27 953	37 767	38 142	43 575	45 295	45 295	50 607	62 548	71 719
Water		23 022	21 653	18 981	34 315	34 315	34 315	28 518	31 559	34 890
Waste water management		6 633	7 392	13 468	10 300	10 300	10 300	12 250	13 608	15 378
Waste management		1 772	3 906	10 999	7 806	7 806	7 806	10 506	12 661	15 356
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	335 446	175 731	194 724	185 391	188 391	188 391	188 955	213 283	237 516
Expenditure - Standard										
<i>Governance and administration</i>		31 662	71 018	58 989	57 916	59 740	59 740	56 338	60 703	65 385
Executive and council		8 375	8 536	20 820	15 796	17 020	17 020	16 728	17 898	19 241
Budget and treasury office		16 254	53 994	30 978	31 366	31 966	31 966	28 456	30 439	32 911
Corporate services		7 033	8 488	7 191	10 754	10 754	10 754	11 154	12 366	13 233
<i>Community and public safety</i>		12 790	13 640	13 487	19 969	21 616	21 616	24 887	26 533	28 370
Community and social services		3 048	3 767	3 551	7 994	8 203	8 203	9 849	10 349	10 972
Sport and recreation		3 438	4 075	4 706	5 123	5 496	5 496	7 918	8 472	9 108
Public safety		2 632	3 000	3 657	4 592	5 657	5 657	5 525	5 913	6 356
Housing		2 942	1 950	845	1 179	1 179	1 179	1 035	1 107	1 190
Health		730	848	728	1 081	1 081	1 081	560	692	744
<i>Economic and environmental services</i>		24 472	(7 201)	13 480	15 514	16 514	16 514	16 794	17 900	19 242
Planning and development		1 982	2 616	-	-	-	-	-	-	-
Road transport		22 490	(9 817)	13 480	15 514	16 514	16 514	16 794	17 900	19 242
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		48 674	72 849	64 303	100 029	109 781	109 781	96 234	104 673	114 267
Electricity		23 909	29 434	28 798	40 130	45 130	45 130	40 659	43 799	47 242
Water		12 258	26 237	13 007	32 421	34 421	34 421	27 690	31 036	34 950
Waste water management		10 444	13 311	13 296	18 685	20 635	20 635	17 618	18 853	20 266
Waste management		2 063	3 869	9 202	8 793	9 595	9 595	10 267	10 985	11 809
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	117 598	150 307	150 259	193 428	207 651	207 651	194 253	209 809	227 264
Surplus/(Deficit) for the year		217 848	25 425	44 465	(8 037)	(19 260)	(19 260)	(5 298)	3 474	10 252

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure

and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is not the case for any of the trading services. As already noted above, the municipality will be undertaking a detailed study of these functions to explore ways of improving efficiencies and provide a basis for re-evaluating these functions' tariff structures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

NC085 Tsantsabane - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Woods Tsantsadang - Table A5 Budgeted Financial Performance (Revenue and Expenditure by major vote)										
Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Revenue by Vote	1									
Vote 1 - Executive & Council		11 789	30	-	-	-	-	23 000	24 610	26 456
Vote 2 - Budget & Treasury		209 255	81 843	82 784	84 301	84 101	84 101	58 485	62 863	67 973
Vote 3 - Corporate Services		347	397	3 741	209	209	209	228	244	263
Vote 4 - Community & Social Services		300	821	673	1 134	1 134	1 134	1 128	731	764
Vote 5 - Sport & Recreation		471	151	12	90	90	90	476	509	547
Vote 6 - Public Safety		1 551	1 666	946	1 325	1 325	1 325	1 565	1 675	1 800
Vote 7 - Road Transport		49 502	18 310	24 200	1 250	1 250	1 250	2 180	2 263	2 357
Vote 8 - Electricity		27 953	37 824	35 522	43 575	46 575	46 575	50 607	62 548	71 719
Vote 9 - Water		23 022	21 796	17 004	34 315	34 315	34 315	28 518	31 559	34 890
Vote 10 - Waste Water Management		6 633	7 435	12 432	10 300	10 300	10 300	12 250	13 608	15 378
Vote 11 - Waste Management		1 772	3 905	10 110	7 806	8 006	8 006	10 506	12 661	15 356
Vote 12 - Housing		-	708	7 300	-	-	-	-	-	-
Vote 13 - Planning & Development		120	-	-	5	5	5	12	12	13
Vote 14 - Health		2 732	847	-	1 081	1 081	1 081	-	-	-
Vote 15 - Other		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	335 446	175 731	194 724	185 391	188 391	188 391	188 955	213 283	237 516
Expenditure by Vote to be appropriated	1									
Vote 1 - Executive & Council		8 376	8 535	20 819	15 796	17 020	17 020	16 728	17 898	19 241
Vote 2 - Budget & Treasury		18 372	19 602	31 125	31 366	31 966	31 966	28 456	30 439	32 910
Vote 3 - Corporate Services		6 900	8 118	7 191	13 556	13 606	13 606	14 269	15 987	17 085
Vote 4 - Community & Social Services		3 046	3 741	3 542	5 162	5 372	5 372	6 733	6 728	7 120
Vote 5 - Sport & Recreation		3 441	4 101	4 714	5 123	5 662	5 662	7 918	8 472	9 109
Vote 6 - Public Safety		2 945	3 888	3 519	5 642	6 092	6 092	6 279	6 718	7 222
Vote 7 - Road Transport		20 493	24 682	11 303	10 959	11 959	11 959	12 488	13 292	14 289
Vote 8 - Electricity		23 909	29 434	28 798	40 130	45 130	45 130	40 659	43 799	47 242
Vote 9 - Water		12 259	26 237	13 007	32 421	34 421	34 421	27 690	31 036	34 950
Vote 10 - Waste Water Management		10 445	13 312	13 151	18 685	20 635	20 635	17 618	18 853	20 266
Vote 11 - Waste Management		2 065	3 869	9 202	8 795	9 595	9 595	10 267	10 985	11 809
Vote 12 - Housing		2 777	1 949	845	1 178	1 178	1 178	1 035	1 107	1 190
Vote 13 - Planning & Development		1	-	-	30	30	30	12	13	13
Vote 14 - Health		730	847	728	1 080	1 080	1 080	560	692	744
Vote 15 - Other		1 840	1 992	2 315	3 505	3 906	3 906	3 542	3 790	4 074
Total Expenditure by Vote	2	117 598	150 307	150 259	193 428	207 651	207 651	194 253	209 809	227 264
Surplus/(Deficit) for the year	2	217 848	25 425	44 465	(8 037)	(19 260)	(19 260)	(5 298)	3 474	10 252

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
- This table is the main driver of management- responsibility and performance in terms of the operating budget and also the benchmark against which any unauthorised expenditure will be measured.

MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

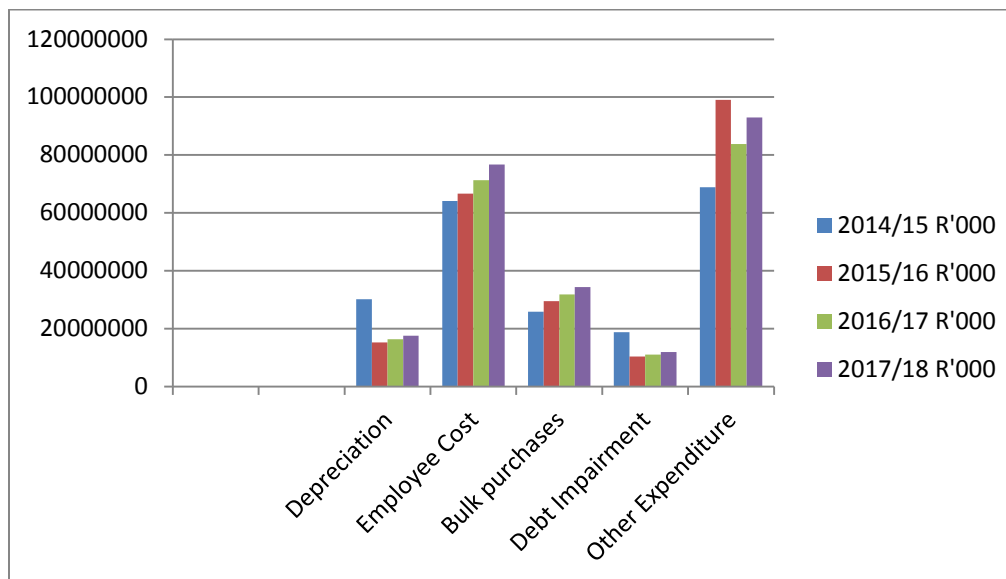
NC085 Tsantsabane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	6 040	10 546	24 108	21 447	23 447	23 447	23 447	26 000	29 520	32 733
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	27 616	37 525	37 404	42 295	45 295	45 295	45 295	50 607	62 548	71 719
Service charges - water revenue	2	2 577	21 790	17 757	32 315	32 315	32 315	32 315	28 518	31 559	34 890
Service charges - sanitation revenue	2	9 540	7 497	9 969	7 000	7 000	7 000	7 000	12 250	13 608	15 378
Service charges - refuse revenue	2	1 773	3 906	8 016	5 917	6 117	6 117	6 117	10 506	12 661	15 356
Service charges - other											
Rental of facilities and equipment		478	302	293	304	304	304	304	230	246	265
Interest earned - external investments		1 162	1 639	880	265	265	265	265	510	546	587
Interest earned - outstanding debtors											
Dividends received											
Fines		83	156	72	290	290	290	290	310	332	357
Licences and permits		874	821	263	385	385	385	385	383	410	441
Agency services		591	678	637	650	650	650	650	800	856	920
Transfers recognised - operational		88 516	48 879	29 306	32 303	30 103	30 103	30 103	30 997	31 825	33 604
Other revenue	2	884	41 992	37 019	12 220	12 220	12 220	12 220	4 844	4 562	4 811
Gains on disposal of PPE		232	-	29 000	30 000	30 000	30 000	30 000	23 000	24 610	26 455
Total Revenue (excluding capital transfers and contributions)		140 366	175 731	194 724	185 391	188 391	188 391	188 391	188 955	213 283	237 516
Expenditure By Type											
Employee related costs	2	35 734	43 299	46 654	57 707	61 083	61 083	61 083	63 744	68 206	73 321
Remuneration of councillors		2 286	2 603	3 831	2 892	2 992	2 992	2 992	2 915	3 119	3 353
Debt impairment	3	7 658	22 706	19 146	18 792	18 792	18 792	18 792	10 330	11 053	11 882
Depreciation & asset impairment	2	27 010	19 277	8 627	30 125	30 125	30 125	30 125	15 227	16 293	17 515
Finance charges		2 797	4 758	5 398	388	388	388	388	2 048	2 191	2 356
Bulk purchases	2	23 576	32 963	37 807	32 800	39 600	39 600	39 600	42 250	46 910	52 173
Other materials	8		2 156	3 499					8 388	8 972	9 639
Contracted services		-	-	-	-	-	-	-	-	-	-
Transfers and grants		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	18 537	22 513	25 297	50 724	54 671	54 671	54 671	49 351	53 065	57 025
Loss on disposal of PPE			32								
Total Expenditure		117 598	150 307	150 259	193 428	207 651	207 651	207 651	194 253	209 809	227 264
Surplus/(Deficit)		22 768	25 425	44 465	(8 037)	(19 260)	(19 260)	(19 260)	(5 298)	3 474	10 252
Transfers recognised - capital		11 888	-	-	-	-	-	-	-	-	-
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets		183 192	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		217 848	25 425	44 465	(8 037)	(19 260)	(19 260)	(19 260)	(5 298)	3 474	10 252
Taxation											
Surplus/(Deficit) after taxation		217 848	25 425	44 465	(8 037)	(19 260)	(19 260)	(19 260)	(5 298)	3 474	10 252
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		217 848	25 425	44 465	(8 037)	(19 260)	(19 260)	(19 260)	(5 298)	3 474	10 252
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		217 848	25 425	44 465	(8 037)	(19 260)	(19 260)	(19 260)	(5 298)	3 474	10 252

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue, excluding capital transfers, is R194,253 million in 2015/16 and escalates to R209,809 million by 2016/17 and R227,284 million in 2017/18. This represents a year-on-year decrease of 6,45 per cent for the 2015/16 and year-on-year increases of 8,01 per cent for the 2016/17 financial year and 8,32 per cent for the 2017/18 financial year.

2. Revenue to be generated from property rates is R26,0 million in the 2015/16 financial year and increases to R29,519 million by 2016/17 and R32,732 million in the 2017/18 financial year. Revenue generated from property rates represents only 13,76 per cent (2015/16) of the operating revenue base of the Municipality. It remains relatively constant over the medium-term of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R101,881 million for the 2015/16 financial year and increasing to R120,376 million by 2016/17 and R137,343 million in 2017/18. For the 2015/16 financial year services charges amount to 53,92 per cent of the total revenue base and stays relatively constant over the MTREF period.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. Transfers are fluctuating according to grants provided for by the respective governments.
5. The following graph illustrates the major expenditure items per type:



Expenditure by major type

6. Bulk purchases have significantly increased over the 2008/09 to 2015/16 period escalating from R9,8 million to R42,250 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related costs, depreciation, operating grant expenditure and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

NC085 Tsantsabane - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		-	15	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury		-	1 350	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	886	-	4 500	4 500	4 500	4 500	-	-	-
Vote 4 - Community & Social Services		-	62	-	-	-	-	-	-	-	-
Vote 5 - Sport & Recreation		-	98	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	120	-	-	-	-	-	-	-	-
Vote 7 - Road Transport		-	22 420	16 341	17 750	14 750	14 750	14 750	18 159	15 598	16 255
Vote 8 - Electricity		-	2 500	1 602	-	-	-	-	-	-	-
Vote 9 - Water		-	6 200	795	3 500	6 000	6 000	6 000	8 000	9 500	12 000
Vote 10 - Waste Water Management		-	8 500	4 588	-	-	-	-	-	-	-
Vote 11 - Waste Management		-	5 420	-	-	-	-	-	-	-	-
Vote 12 - Housing		-	-	-	-	-	-	-	2 500	4 500	6 000
Vote 13 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 14 - Health		-	-	-	-	-	-	-	-	-	-
Vote 15 - Other		-	400	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	47 971	23 326	25 750	25 250	25 250	25 250	28 659	29 598	34 255
Single-year expenditure to be appropriated	2										
Vote 1 - Executive & Council		-	827	89	341	51	51	51	573	321	4 573
Vote 2 - Budget & Treasury		-	152	62	672	520	520	520	1 456	900	300
Vote 3 - Corporate Services		-	75	-	1 294	750	750	750	1 544	710	735
Vote 4 - Community & Social Services		-	841	37	262	472	472	472	131	125	142
Vote 5 - Sport & Recreation		-	1 000	-	260	-	-	-	115	132	155
Vote 6 - Public Safety		-	137	18	1 065	160	160	160	592	626	690
Vote 7 - Road Transport		35 123	1 750	-	-	-	-	-	-	-	-
Vote 8 - Electricity		-	-	-	125	-	-	-	-	-	-
Vote 9 - Water		15 746	30	-	5 630	7 900	7 900	7 900	-	-	-
Vote 10 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Management		733	100	-	630	80	80	80	80	100	120
Vote 12 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 13 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 14 - Health		-	-	-	-	-	-	-	-	-	-
Vote 15 - Other		14 623	15	-	415	-	-	-	-	-	-
Capital single-year expenditure sub-total		66 225	4 927	206	10 694	9 933	9 933	9 933	4 491	2 914	6 715
Total Capital Expenditure - Vote		66 225	52 898	23 532	36 444	35 183	35 183	35 183	33 150	32 512	40 970

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2015/16 R28,659 million has

been allocated of the total R106,632 million capital budget. This allocation decrease to R32,512 million in 2016/17 and then to R40,970 million in 2017/18.

3. Single-year capital expenditure has been appropriated at R4,491 million for the 2015/16 financial year and remains relatively constant over the MTREF at levels of R2,914 million and R6,715 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital program is funded from national grants and transfers and internally generated funds from current and prior year surpluses and is listed above.

MBRR Table A6 - Budgeted Financial Position

NC085 Tsantsabane - Table A6 Budgeted Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
ASSETS											
Current assets											
Cash				-							
Call investment deposits	1	20 500	23 664	13 912	14 000	14 000	14 000	14 000	32 000	33 800	36 200
Consumer debtors	1	15 451	13 696	39 398	11 800	11 800	11 800	11 800	32 000	59 500	19 880
Other debtors			-								
Current portion of long-term receivables											
Inventory	2		575	2 147							
Total current assets		35 951	37 935	55 458	25 800	25 800	25 800	25 800	64 000	93 300	56 080
Non current assets											
Long-term receivables											
Investments											
Investment property			6 221	6 087	30 300	30 300	30 300	30 300	12 500		
Investment in Associate											
Property, plant and equipment	3	677 743	826 903	841 513	571 576	571 576	571 576	571 576	600 000	639 475	670 500
Agricultural											
Biological											
Intangible			753	351	82	82	82	82	70		
Other non-current assets			50	75							
Total non current assets		677 743	833 926	848 025	601 958	601 958	601 958	601 958	612 570	639 475	670 500
TOTAL ASSETS		713 694	871 861	903 483	627 758	627 758	627 758	627 758	676 570	732 775	726 580
LIABILITIES											
Current liabilities											
Bank overdraft	1		12 010	18 593					10 000		
Borrowing	4	2 538	608	605	1 464	1 464	1 464	1 464	1 000	1 050	1 100
Consumer deposits			1 383	1 730					1 880		
Trade and other payables	4	66 024	69 267	69 784	31 618	31 618	31 618	31 618	26 800	24 440	27 155
Provisions											
Total current liabilities		68 562	83 268	90 713	33 082	33 082	33 082	33 082	39 680	25 490	28 255
Non current liabilities											
Borrowing		12 130	1 894	898	7 800	7 800	7 800	7 800	10 500	9 000	13 000
Provisions		6 525	23 517	21 806	500	500	500	500	3 950	1 750	1 750
Total non current liabilities		18 655	25 411	22 704	8 300	8 300	8 300	8 300	14 450	10 750	14 750
TOTAL LIABILITIES		87 217	108 679	113 417	41 382	41 382	41 382	41 382	54 130	36 240	43 005
NET ASSETS	5	626 477	763 183	790 066	586 376	586 376	586 376	586 376	622 440	696 535	683 575
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		626 477	763 183	790 066	586 376	586 376	586 376	586 376	622 440	696 535	683 575
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	626 477	763 183	790 066	586 376	586 376	586 376	586 376	622 440	696 535	683 575

Explanatory notes to Table A6 - Budgeted Financial Position

1. The Budgeted Financial Position is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in

order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. This table is supported by an extensive table of notes (SA3 which can be found on later in this report providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

MBRR Table A7 - Budgeted Cash Flow Statement

NC085 Tsantsabane - Table A7 Budgeted Cash Flows

Description		Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework			
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
CASH FLOW FROM OPERATING ACTIVITIES													
Receipts													
Property rates, penalties & collection charges			225 381	61 145	72 340	81 731	81 731	81 731	81 731	26 000	29 520	32 733	
Service charges			18 230	42 493	49 670	29 740	29 740	29 740	29 740	101 881	120 376	137 343	
Other revenue			70 285	-	14 400	14 700	14 700	14 700	14 700	6 567	6 406	6 794	
Government - operating		1	1 162	238	256	260	260	260	260	30 997	31 825	33 604	
Government - capital		1	-	-						15 159	15 598	16 255	
Interest										510	546	587	
Dividends										-	-	-	
Payments													
Suppliers and employees			(76 915)	(72 050)	(148 900)	(132 800)	(132 800)	(132 800)	(132 800)	(166 648)	(180 272)	(195 511)	
Finance charges			(2 797)	(8 920)	(1 130)	(383)	(383)	(383)	(383)	(2 048)	(2 191)	(2 356)	
Transfers and Grants		1	-							-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES			235 346	22 905	(13 364)	(6 752)	(6 752)	(6 752)	(6 752)	12 418	21 808	29 449	
CASH FLOWS FROM INVESTING ACTIVITIES													
Receipts													
Proceeds on disposal of PPE			304	2 500	14 400	29 000	29 000	29 000	29 000	23 000	24 610	26 455	
Decrease (Increase) in non-current debtors				-		2 300	2 300	2 300	2 300	300	350	450	
Decrease (Increase) other non-current receivables				1 495	2 300	450	450	450	450	175	200	225	
Decrease (Increase) in non-current investments				-						450	500	525	
Payments													
Capital assets			(216 000)	(20 000)	(26 782)	(31 700)	(31 700)	(31 700)	(31 700)	(18 159)	(15 598)	(16 255)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			(215 696)	(16 005)	(10 082)	50	50	50	50	5 766	10 062	11 400	
CASH FLOWS FROM FINANCING ACTIVITIES													
Receipts													
Short term loans				(2 100)	-					-	-	-	
Borrowing long term/refinancing				-	7 800	8 400	8 400	8 400	8 400	10 500	14 000	22 500	
Increase (decrease) in consumer deposits				-	250	125	125	125	125	109	180	215	
Payments													
Repayment of borrowing				(5 694)	(1 130)					(3 000)	(3 500)	(3 850)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	(7 794)	6 920	8 525	8 525	8 525	8 525	7 609	10 680	18 865	
NET INCREASE/ (DECREASE) IN CASH HELD				19 650	(894)	(16 526)	1 823	1 823	1 823	1 823	25 793	42 550	59 714
Cash/cash equivalents at the year begin:		2								(5 000)	20 793	63 343	
Cash/cash equivalents at the year end:		2	19 650	(894)	(16 526)	1 823	1 823	1 823	1 823	20 793	63 343	123 057	

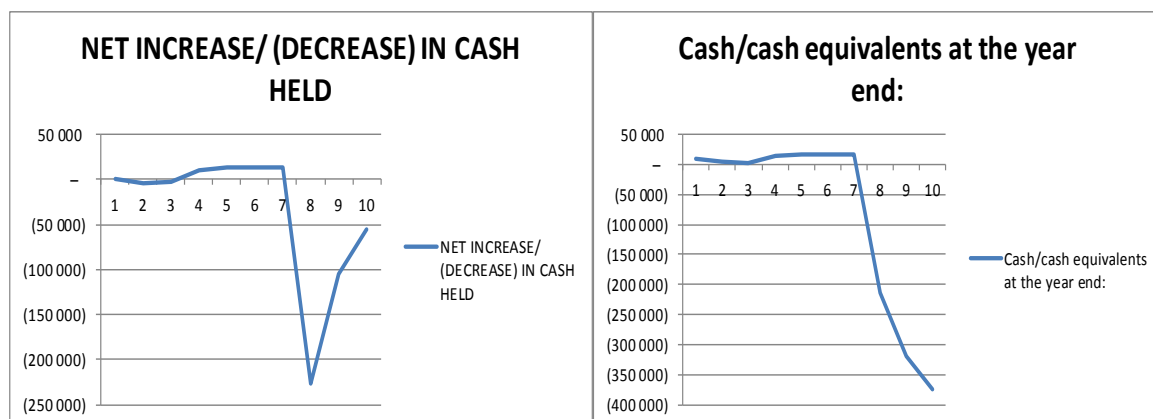
MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

NC085 Tsantsabane - Table A8 Cash backed reserves/accumulated surplus reconciliation

WCO05 Tsant'sabane - Table A0 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
<u>Cash and investments available</u>											
Cash/cash equivalents at the year end	1	19 650	(894)	(16 526)	1 823	1 823	1 823	1 823	20 793	63 343	123 057
Other current investments > 90 days		850	12 548	11 845	12 177	12 177	12 177	12 177	1 207	(29 543)	(86 857)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		20 500	11 654	(4 681)	14 000	14 000	14 000	14 000	22 000	33 800	36 200
<u>Application of cash and investments</u>											
Unspent conditional transfers		18 932	23 787	18 587	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(22 656)	33 056	28 409	22 146	22 465	22 465	22 465	18 762	11 663	21 821
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(3 724)	56 843	46 995	22 146	22 465	22 465	22 465	18 762	11 663	21 821
Surplus(shortfall)		24 224	(45 188)	(51 676)	(8 146)	(8 465)	(8 465)	(8 465)	3 238	22 137	14 379

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.



3. It can be seen that the cash levels of the Municipality is expected to fall significantly in the future.
4. The 2015/16 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is not aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
2. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality's budget is not cash-funded and thus in compliance with the requirements of the MFMA.
3. As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

MBRR Table A9 - Asset Management

NC085 Tsantsabane - Table A9 Asset Management

NC005 Tsant'sabane - Table A7 Asset management

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	46 563	46 656	46 033	51 839	51 839	51 839	31 944	31 496	49 067
Infrastructure - Road transport		21 143	13 763	24 170	22 420	22 420	22 420	17 750	18 252	19 450
Infrastructure - Electricity		1 701	23 056	2 500	2 500	2 500	2 500	-	-	-
Infrastructure - Water		15 490	3 033	6 230	6 200	6 200	6 200	8 900	7 060	13 500
Infrastructure - Sanitation		7 412	4 565	3 000	8 500	8 500	8 500	-	-	-
Infrastructure - Other		-	373	1 820	8 500	8 500	8 500	-	-	-
Infrastructure		45 745	44 790	37 720	48 120	48 120	48 120	26 650	25 312	32 950
Community		-	-	810	841	841	841	697	663	1 169
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		546	-	-	-	-	-	-	-	-
Other assets	6	271	1 865	6 503	2 878	2 878	2 878	4 597	5 521	14 948
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	1 000	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	2	-	19 569	6 865	3 851	3 851	3 000	31 944	31 496	49 067
Infrastructure - Road transport		-	6 700	-	3 000	3 000	3 000	17 750	18 252	19 450
Infrastructure - Electricity		-	-	-	-	-	-	125	-	-
Infrastructure - Water		-	-	-	-	-	-	9 130	7 060	13 500
Infrastructure - Sanitation		-	12 869	5 500	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	630	2 200	1 320
Infrastructure		-	19 569	5 500	3 000	3 000	3 000	27 635	27 512	34 270
Community		-	-	1 015	-	-	-	1 587	1 092	1 861
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	350	851	851	-	2 722	2 893	12 935
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	4									
Infrastructure - Road transport		21 143	20 463	24 170	25 420	25 420	25 420	35 500	36 504	38 900
Infrastructure - Electricity		1 701	23 056	2 500	2 500	2 500	2 500	125	-	-
Infrastructure - Water		15 490	3 033	6 230	6 200	6 200	6 200	18 030	14 120	27 000
Infrastructure - Sanitation		7 412	17 435	8 500	8 500	8 500	8 500	-	-	-
Infrastructure - Other		-	373	1 820	8 500	8 500	8 500	630	2 200	1 320
Infrastructure		45 745	64 360	43 220	51 120	51 120	51 120	54 285	52 824	67 220
Community		-	-	1 825	841	841	841	2 284	1 755	3 030
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		546	-	-	-	-	-	-	-	-
Other assets		271	1 865	6 853	3 729	3 729	2 878	7 319	8 414	27 884
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	1 000	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	46 563	66 225	52 898	55 690	55 690	54 839	63 888	62 992	98 134

EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		23 726	-	34 711	28 076	28 826	28 826	30 125	32 234	34 652
Repairs and Maintenance by Asset Class	3	1 995	1 675	2 121	6 890	6 890	6 890	8 418	9 007	9 683
Infrastructure - Road transport		185	188	660	643	643	643	915	979	1 052
Infrastructure - Electricity		1 106	671	2 512	1 493	1 493	1 493	1 832	1 960	2 107
Infrastructure - Water		(484)	796	(3 154)	1 325	1 325	1 325	1 747	1 869	2 009
Infrastructure - Sanitation		3	8	50	1 434	1 434	1 434	1 699	1 818	1 954
Infrastructure - Other		-	-	-	160	160	160	195	209	224
Infrastructure		809	1 663	68	5 055	5 055	5 055	6 388	6 835	7 346
Community		9	12	105	692	692	692	782	836	900
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	45	45	45	-	-	-
Other assets	6, 7	1 177	-	1 947	1 099	1 099	1 099	1 248	1 336	1 437
TOTAL EXPENDITURE OTHER ITEMS		25 721	1 675	36 832	34 967	35 716	35 716	38 543	41 241	44 335
Renewal of Existing Assets as % of total capex		0.0%	29.5%	13.0%	6.9%	6.9%	5.5%	50.0%	50.0%	50.0%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	19.8%	13.7%	13.4%	10.4%	106.0%	97.7%	141.6%
R&M as a % of PPE		0.4%	0.3%	0.4%	1.3%	1.3%	1.3%	1.5%	2.1%	2.9%
Renewal and R&M as a % of PPE		42.0%	0.0%	35.0%	44.0%	44.0%	41.0%	133.0%	133.0%	193.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations.
3. An analysis between depreciation and operational repairs and maintenance over the MTREF is not yet possible until the municipality changes its financial systems to include all maintenance costs, also those incurred internally, to the maintenance votes. When implemented it will highlight the Municipality's maintenance backlog.

Table A10 – Consolidated basic service delivery

Refer to table A10 under.

NC085 Tsantsabane - Table A10 Basic service delivery measurement

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Household service targets	1									
<u>Water:</u>										
Piped water inside dwelling		6 987	7 457	8 487	8 510	8 510	8 510	8 805	8 955	9 050
Piped water inside yard (but not in dwelling)		1 201	1 322	760	1 622	1 622	1 622	1 795	2 172	2 225
Using public tap (at least min.service level)		590	500	300	200	200	200	200	100	100
Other water supply (at least min.service level)										
<i>Minimum Service Level and Above sub-total</i>		8 778	9 279	9 547	10 332	10 332	10 332	10 800	11 227	11 375
Using public tap (< min.service level)										
Other water supply (< min.service level)										
No water supply										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	8 778	9 279	9 547	10 332	10 332	10 332	10 800	11 227	11 375
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)		6 987	7 457	7 007	7 865	7 865	7 865	8 330	8 615	9 050
Flush toilet (with septic tank)		500	500	50	1 622	1 622	1 622	1 772	1 872	1 600
Chemical toilet				600	200	200	200	200	100	100
Pit toilet (ventilated)										
Other toilet provisions (> min.service level)										
<i>Minimum Service Level and Above sub-total</i>		7 487	7 957	7 657	9 687	9 687	9 687	10 302	10 587	10 750
Bucket toilet				300						
Other toilet provisions (< min.service level)										
No toilet provisions										
<i>Below Minimum Service Level sub-total</i>		-	-	300	-	-	-	-	-	-
Total number of households	5	7 487	7 957	7 957	9 687	9 687	9 687	10 302	10 587	10 750
<u>Energy:</u>										
Electricity (at least min.service level)		2 120	2 314	2 420	2 480	2 480	2 480	2 590	2 590	2 010
Electricity - prepaid (min.service level)		500	670		1 622	1 622	1 622	1 872	2 172	2 885
<i>Minimum Service Level and Above sub-total</i>		2 620	2 984	2 420	4 102	4 102	4 102	4 462	4 762	4 895
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources				300						
<i>Below Minimum Service Level sub-total</i>		-	-	300	-	-	-	-	-	-
Total number of households	5	2 620	2 984	2 720	4 102	4 102	4 102	4 462	4 762	4 895
<u>Refuse:</u>										
Removed at least once a week		6 987	7 457	7 437	9 187	9 187	9 187	10 800	11 227	11 375
<i>Minimum Service Level and Above sub-total</i>		6 987	7 457	7 437	9 187	9 187	9 187	10 800	11 227	11 375
Removed less frequently than once a week										
Using communal refuse dump										
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal				300						
<i>Below Minimum Service Level sub-total</i>		-	-	300	-	-	-	-	-	-
Total number of households	5	6 987	7 457	7 737	9 187	9 187	9 187	10 800	11 227	11 375

Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		2 593	2 640	2 655	2 675	2 675	2 675	2 694	2 715	2 738
Sanitation (free minimum level service)		2 593	2 640	2 655	2 675	2 675	2 675	2 694	2 715	2 738
Electricity/other energy (50kwh per household per month)		2 593	2 640	2 655	2 675	2 675	2 675	2 694	2 715	2 738
Refuse (removed at least once a week)		2 593	2 640	2 655	2 675	2 675	2 675	2 694	2 715	2 738
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		1 378	1 679	1 975	2 163	2 163	2 163	2 379	2 593	2 200
Sanitation (free sanitation service)		2 678	3 590	4 021	4 323	4 323	4 323	4 755	5 230	4 200
Electricity/other energy (50kwh per household per month)		1 518	2 348	2 700	2 900	2 900	2 900	3 117	3 366	1 500
Refuse (removed once a week)		1 621	2 507	2 883	3 171	3 171	3 171	3 393	3 631	2 200
Total cost of FBS provided (minimum social package)		7 195	10 124	11 579	12 556	12 556	12 556	13 644	14 820	10.100
Highest level of free service provided										
Property rates (R value threshold)		15 000	15 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)		964	1 230	1 404	2 878	2 878	2 878	3 079	3 304	477
Property rates (other exemptions, reductions and rebates)		3 400	4 114	443	1 750	1 750	1 750	1 873	2 009	2 200
Water		1 378	1 679	1 975	2 163	2 163	2 163	2 314	2 483	4 200
Sanitation		2 678	3 590	4 021	4 423	4 423	4 423	4 733	5 078	1 500
Electricity/other energy		1 518	2 348	2 700	2 899	2 899	2 899	3 102	3 328	2 200
Refuse		1 621	2 507	2 883	3 099	3 099	3 099	3 316	3 558	1 500
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of free services provided (total social package)		11 559	15 468	13 426	17 212	17 212	17 212	18 417	19 761	488.258

Part 2 – Supporting Documentation

1.8 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.8.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule during August 2015. Key dates applicable to the process were:

- **August 2015** – Joint strategic planning session of the Budget Steering Committee. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2016/17 MTREF;
- **November 2015** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **7 to 14 January 2016** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2016** – Multi-year budget proposals are submitted to the Budget and Steering committee.
- **29 January 2016** - Council considers the 2015/16 Mid-year Review and Adjustments Budget;

- **February 2016** - Recommendations of the Budget and steering committee. The draft 2016/17 MTREF is revised accordingly;
- **28 March 2016** - Tabling in Council of the draft 2016/17 IDP and 2016/17 MTREF for public consultation;
- **April 2016** – Public consultation;
- **09 May 2016** - Closing date for written comments;
- **12 to 24 May 2016** – finalisation of the 2016/17 IDP and 2016/17 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework;
- **Workshop councillors on the budget** – 26 May 2016 and
- **30 May 2016** - Tabling of the 2016/17 IDP and 2016/17 MTREF before Council for consideration and approval.
- Mayor sign the **SDBIP** and **performance contracts** of senior managers for 2016/17 by **16 June 2016**.

1.8.2 IDP and Service Delivery and Budget Implementation Plan

This is the fifth review of the IDP as adopted by Council in May 2011. It started in 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2015/16 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

1.8.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2015/16 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015/16 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2014/15 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 70 and 72 has been taken into consideration in the planning and prioritisation process.

1.9 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2015 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Strategic Objectives

2015/16 Financial Year	2015/16 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Tsantsabane principles through a caring, accessible and accountable service	4. Foster participatory democracy and Tsantsabane principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Provide municipal planning services; and
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective Municipality cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS, to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Tsantsabane principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Tsantsabane in the revenue management strategy.
- 5.1 Promote sound governance through:
 - Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

The 2015/1 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

NC085 Tsantsabane - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Notes Tsamtsabane Supporting Table 5.11 Reconciliation of BIP Strategic Objectives and Budget (Revenue)													
Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
R thousand													
Sustainable Services	Water			23 022	21 796	17 757	34 315	34 315	34 315	28 518	31 559	34 890	
	Electricity			27 953	37 824	37 404	43 575	45 295	45 295	50 607	62 548	71 719	
	Sanitation			6 633	7 435	9 969	10 300	10 300	10 300	10 506	12 661	15 356	
	Waste Management			1 772	3 904	8 016	7 806	7 806	7 806	12 250	13 608	15 378	
	Health			2 732	846	–	424	424	424				
	Community & Social Services					673	1 343	1 343	1 343	1 834	1 486	1 575	
Infrastructure	Roads & Stormwater			49 502	18 310	25 146	2 575	2 575	2 575	3 745	3 938	4 157	
	Cemeteries			24	30	25	40	40	40	34	36	39	
	Housing				707	7 729	–			–			
	Integrated Planning												
Good Governance	Finance Management			203 215	53 821	51 433	63 511	62 791	62 791	32 485	33 343	35 240	
	Human Resource			112	156	3 480	18 832	20 832	20 832	26 010	29 530	32 745	
	Executive & Council			9	30	7 934	–			21 132	23 088	24 842	
Environmental Development	LED												
Social Development	Culture & Sport			432	90	12	95	95	95				
Safety & Security	Road Safety			20 040	30 782	25 146	2 575	2 575	2 575	1 834	1 486	1 575	
	Other												
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	335 446	175 731	194 724	185 391	188 391	188 391	188 955	213 283	237 516

MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

NC085 Tsantsabane - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

2015/16 Sustainable Supporting Table 2: Reconciliation of 15/16 Strategic Objectives and Budget (Operating Expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand												
Sustainable Services	Water			12 258	26 237	13 007	32 421	34 421	34 421	27 690	31 036	34 950
	Electricity			23 909	29 434	28 798	40 130	45 130	45 130	40 659	43 799	47 242
	Sanitation			10 444	13 312	13 151	18 684	20 635	20 635	17 618	18 853	20 266
	Waste Management			2 063	3 869	9 202	8 795	9 595	9 595	10 267	10 985	11 809
	Health			730	847	728	1 081	1 081	1 081	560	692	744
	Community & Social Services			3 046	3 741	3 542	4 060	5 372	5 372	6 733	6 728	7 120
Infrastructure	Roads & Stormwater			20 493	24 682	11 303	10 959	11 959	11 959	12 488	13 292	14 289
	Cemeteries			593	707	703	1 102	1 102	1 102	1 193	1 276	1 372
	Housing			2 942	1 949	845	1 179	1 178	1 178	1 035	1 107	1 190
	Integrated Planning								-			
Good Governance	Finance Management			18 372	19 602	31 125	25 549	26 149	26 149	28 456	30 439	32 910
	Human Resource			2 184	2 950	2 225	10 754	3 611	3 611	4 016	4 298	4 620
	Executive & Council			8 376	8 535	20 819	15 796	17 020	17 020	16 728	17 898	19 241
Environmental Development	LED				-			-				
Social Development	Culture & Sport			3 441	4 101	4 714	5 123	5 662	5 662	7 918	8 472	9 109
Safety & Security	Road Safety			2 154	3 888	3 519	5 642	6 092	6 092	6 279	6 718	7 222
	Other			-	-				-			
Allocations to other priorities				6 593	6 454	6 578	12 153	18 644	18 644	12 613	14 216	15 180
Total Expenditure				117 598	150 307	150 259	193 428	207 651	207 651	194 253	209 809	227 264

MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

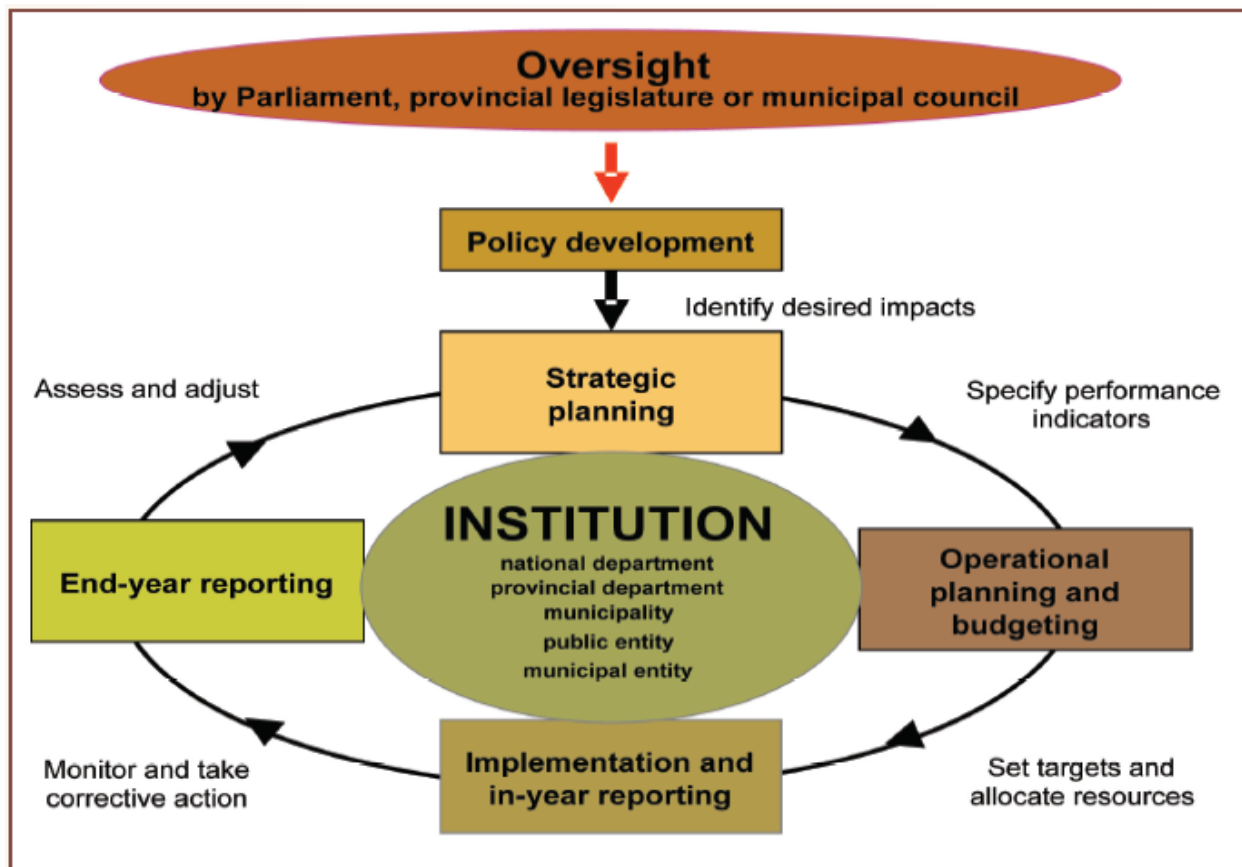
NC085 Tsantsabane - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Supporting Table 6: Realisation of IDP Strategic Objectives and Budget (Capital Expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
R thousand													
Sustainable	Water	A		1 576	6 230	795	9 130	13 900	13 900	8 000	9 500	12 000	
	Electricity	B		1 813	2 500	1 602	125	-	-	-	-	-	
	Sanitation	C		7	8 500				-	-	-	-	
	Waste Management	D		22 393	5 520	4 588	630	80	80	80	10	120	
	Health	E		7	-				-	-	-	-	
	Community	F		454	873		1 451	632	632	3 338	5 383	6 987	
Infrastructure	Roads & Stormwater	G		24 496	24 170	16 341	17 750	14 750	14 750	18 159	15 598	16 255	
	Cemeteries	H		1	30		-		-	-	-	-	
	Housing	I		6 937	-		4 500	4 500	4 500	-	-	-	
Good Governance	Integrated Planning	J		-	-				-				
	Financial Management	K			1 917	62	672	520	520				
	Human Resource	L			961		895	260	260				
	Executive and Council	M			842	89	141	51	51				
Economic Development	Local Economic Development	N			-				-				
Social Development	Culture & Sport	O			1 098		260	26	26				
Safety & Security	Road Safety	P		8 541	234		890	464	464				
	Disaster Management				24				-				
Allocations to other priorities				3			55			-	3 573	2 021	5 608
Total Capital Expenditure				1	66 225	52 898	23 532	36 444	35 183	35 183	33 150	32 512	40 970

1.10 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality with the help of the Municipal Manager, Mr HG Mathobela and the ZFM District Municipality, helped with the development and implemented a performance management system. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

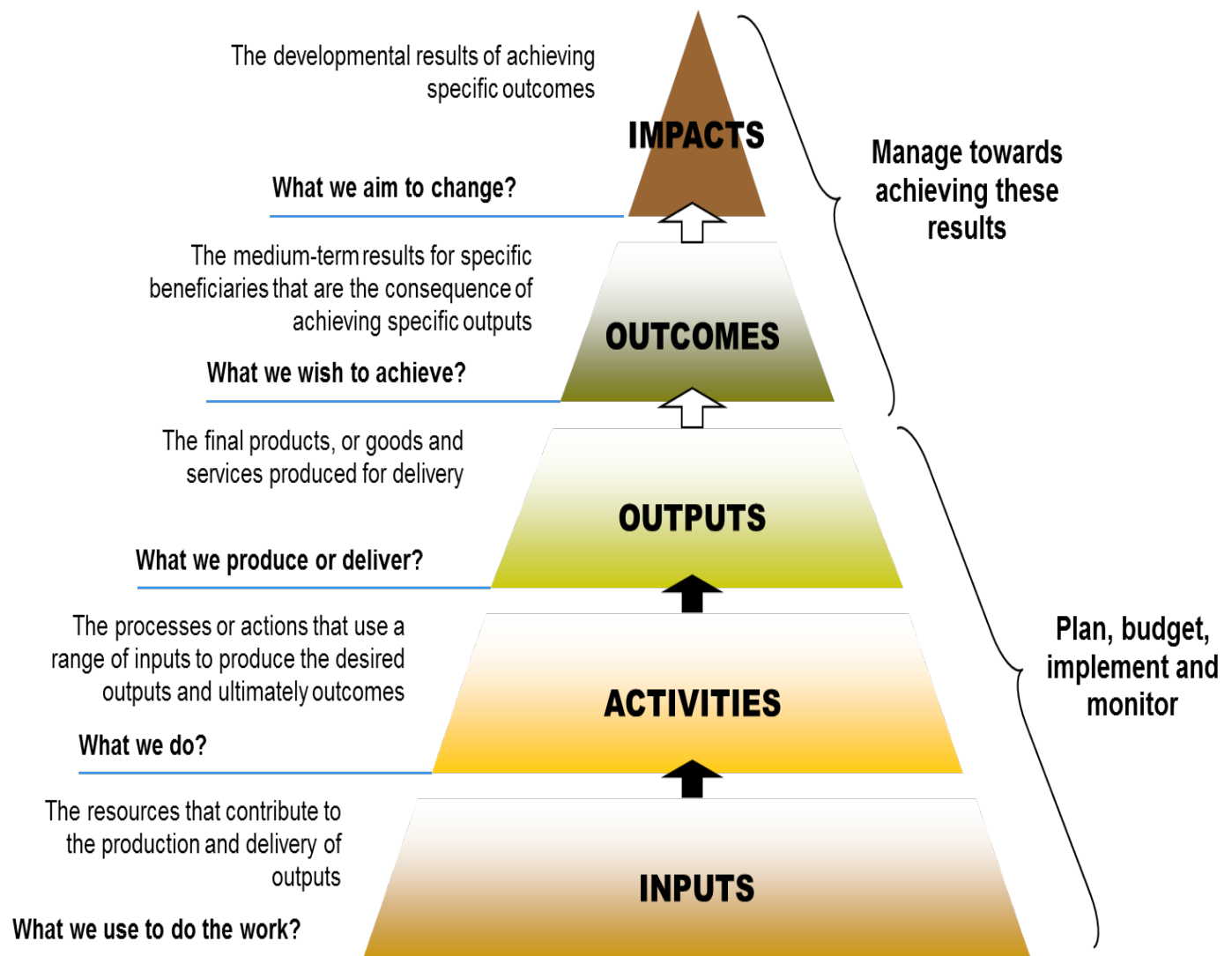
The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:



The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

MBRR Table SA7 - Measurable performance objectives

NC085 Tsantsabane - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Vote 12 - Housing										
Function 1 - Housing										
Sub-function 1 - Provide houses										
Provide 150 RDP houses to community	Houses per year			100	150	150	150	150	150	150
Vote 3 - Corporate Services										
Function 1 - Corporate Services										
Sub-function 1 - Develop policies and										
12 policies completed	Policies per year			8	10	10	10	12	14	14
14 By Laws completed.	By laws per year			14	14	14	14	14	14	14
Vote 11 - Waste Management										
Function 1 - Refuse										
Sub-function 1 - To collect, transfer										
Collect all households and business refuse on a	Weeks per year			52	52	52	52	52	52	52
Sub-function 2 - Improve our service										
Clean town entrances	Per month			12	12	12	12	12	12	12
Clean parks and graveyards	Per month			12	12	12	12	12	12	12
Vote 7 - Road Transport										
Function 1 - Public Works And Streets										
Sub-function 1 - Managing & Planning										
Upgrading of gravel to tar road (Monitoring				2	2	2	2	2	2	2
Construction of Hospital Road (Monitoring role)				1	1	1	1	1	1	1
Construction of End Street (Monitoring role)				1	2	2	2	2	2	2
Upgrading of existing sewerage plant: Phase 2				1	1	1	1	1	1	1
Roads in Postdene and Boichoko Constrction				1	2	2	2	2	2	2
Vote 42 Council										
80% of Councillors must attend council					80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Review code of conduct for councillors					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Function 2 - (name)										
Finance Department 043										
Clean Audit by 2014					Qualified			Qualified	Qualified	Unqualified
Collect 100% outstanding debt					85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Municipal Manager										
LLF Meetings					10 Meetings	10 Meetings	10 Meetings	10 Meetings	10 Meetings	10 Meetings
Review equity plan					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Planning										
Review the SDF					1 x SDF Plan	1 x SDF Plan	1 x SDF Plan	1 x SDF Plan	1 x SDF Plan	1 x SDF Plan

1.10.1 Performance indicators and benchmarks

1.10.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Tsantsabane Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2015/16 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is by far below the borrowing capacity of the municipality, but it needs to be noted that capital grants and transfers has contributed significantly to the municipality's capital expenditure programs, thus limiting the need for borrowing.
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing is less than 1% throughout the MTREF period. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality should limit external interest charges to the minimum.
- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The municipality intend to borrow money from DBSA during the MTREF period.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2015/16 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

1.10.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. This ratio is well above the norm, indicating a weak financial position.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. A ratio in the region of 50% is a general benchmark and the municipality is currently on 6 per cent and increasing to 6 per cent by 2015/16. This is again a clear indication of the municipality's financial weakness.

1.10.1.3 Liquidity

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

1.10.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. The collection rates in this indicator is based on all cash receipts, also for direct income. The collection rate used for the calculation of debtors' payments was 75 per cent which is a fairly conservative approach in order to cater for the current negative economic climate.

1.10.1.5 Creditors Management

- The Municipality did not managed to ensure that creditors are settled within the legislated 30 days of invoice. The liquidity ratio is of concern. This had an impact on suppliers' perceptions of risk of doing business with the Municipality.

1.10.1.6 Other Indicators

- The electricity/water losses have not been measured. The Municipality needs to measure all water and electricity losses.
- Employee costs as a percentage of operating revenue is fairly constant over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also fairly constant owing directly to cost drivers such as bulk purchases increasing above inflation. The expenditure on repairs and maintenance is well below acceptable levels, but the actual cost will only be determined when a costing system is implemented.

1.10.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. Only registered indigents qualify for the free basic services.

For the MTREF 2,740 registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, free sanitation and free waste removal equivalent once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained elsewhere in this report.

1.11 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

1.11.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in October 2014 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, they are entitled to free basic services.

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 85 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. During April 2015, 718 households will change from conventional water meters to a pre-paid water system that will help with the cash flow of the Municipality.

1.11.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

1.11.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

1.11.4 Supply Chain Management Policy

The Supply Chain Management Policy was workshop by Council on 18 March 2014 for approval during March/April 2014. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

1.11.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was workshop by council on 18 March 2014 for approval during March/April 2014.

1.11.6 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was approved by Council. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

1.11.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy (Reviewed during 2013);
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy);

- Commitment Policy;
- Contingent Liability/Asset Policy;
- Events after reporting Date;
- Related Party Policy;
- Virement Policy
- Travel and Subsistence Policy;
- Sharing of responsibilities Policies.

1.12 Overview of budget assumptions

1.12.1 External factors

Domestically, after five years of strong growth, during which lot of jobs were created, our economy shrank fast and thousands of people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven and that growth for 2015 will be minimal with a slightly better growth in the outer years.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.12.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

1.12.3 Credit rating outlook

There is no credit rating for Tsantsabane Municipality.

1.12.4 Interest rates for borrowing and investment of funds

The municipality intend to borrow R10,5 million during the 2015/16 financial year. It is expected that interest rates will be adjusted slightly upwards during the MTREF period and it was budget for as such.

1.12.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (60 per cent) of annual billings. Cash flow is assumed to be 85 per cent of billings. The performance of any increased collections or arrear collections will however only be considered a source of additional cash inflow once the performance has been carefully monitored.

1.12.6 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

1.12.7 Salary increases

There is no collective agreement on salary increases in place for the budget year, and the guidance of 4,4% increase as contained in Circular 75 of National Treasury was not used to budget accordingly. We budget for an increase of 7,2%.

1.12.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

1.12.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 80 per cent is achieved on operating expenditure and 50 per cent on the capital programme for the 2015/16 MTREF of which performance has been factored into the cash flow budget.

1.13 Overview of budget funding

1.13.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

NC085 Tsantsabane - Table A4 Budgeted Financial Performance (revenue and expenditure)

VC063 Tsantsabane - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	6 040	10 546	24 108	21 447	23 447	23 447	23 447	26 000	29 520	32 733
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	27 616	37 525	37 404	42 295	45 295	45 295	45 295	50 607	62 548	71 719
Service charges - water revenue	2	2 577	21 790	17 757	32 315	32 315	32 315	32 315	28 518	31 559	34 890
Service charges - sanitation revenue	2	9 540	7 497	9 969	7 000	7 000	7 000	7 000	12 250	13 608	15 378
Service charges - refuse revenue	2	1 773	3 906	8 016	5 917	6 117	6 117	6 117	10 506	12 661	15 356
Service charges - other											
Rental of facilities and equipment		478	302	293	304	304	304	304	230	246	265
Interest earned - external investments		1 162	1 639	880	265	265	265	265	510	546	587
Interest earned - outstanding debtors											
Dividends received											
Fines		83	156	72	290	290	290	290	310	332	357
Licences and permits		874	821	263	385	385	385	385	383	410	441
Agency services		591	678	637	650	650	650	650	800	856	920
Transfers recognised - operational		88 516	48 879	29 306	32 303	30 103	30 103	30 103	30 997	31 825	33 604
Other revenue	2	884	41 992	37 019	12 220	12 220	12 220	12 220	4 844	4 562	4 811
Gains on disposal of PPE		232	-	29 000	30 000	30 000	30 000	30 000	23 000	24 610	26 455
Total Revenue (excluding capital transfers and contributions)		140 366	175 731	194 724	185 391	188 391	188 391	188 391	188 955	213 283	237 516

Breakdown of operating revenue over the 2015/16 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as electricity and solid waste removal, property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 85 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Investment revenue contributes significantly to the revenue base of the Municipality. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

MBRR SA15 – Detail Investment Information

NC085 Tsantsabane - Supporting Table SA15 Investment particulars by type

W0603 Tsantsabane - Supporting Table SA15 Investment particulars by type										
Investment type	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		20 500	23 664	13 912	14 000	14 000	14 000	32 000	33 800	36 200
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	20 500	23 664	13 912	14 000	14 000	14 000	32 000	33 800	36 200
Entities										
Securities - National Government										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		20 500	23 664	13 912	14 000	14 000	14 000	32 000	33 800	36 200

MBRR SA16 – Investment particulars by maturity

Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
24 587	983	12 500	8 000	46 070
				–
				–
				–
				–
				–
24 587		12 500	8 000	46 070

1.13.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

MBRR Table A7 - Budget cash flow statement

NC085 Tsantsabane - Table A7 Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		225 381	61 145	72 340	81 731	81 731	81 731	81 731	26 000	29 520	32 733
Service charges		18 230	42 493	49 670	29 740	29 740	29 740	29 740	101 881	120 376	137 343
Other revenue		70 285	-	14 400	14 700	14 700	14 700	14 700	6 567	6 406	6 794
Government - operating	1	1 162	238	256	260	260	260	260	30 997	31 825	33 604
Government - capital	1	-	-						15 159	15 598	16 255
Interest									510	546	587
Dividends									-	-	-
Payments											
Suppliers and employees		(76 915)	(72 050)	(148 900)	(132 800)	(132 800)	(132 800)	(132 800)	(166 648)	(180 272)	(195 511)
Finance charges		(2 797)	(8 920)	(1 130)	(383)	(383)	(383)	(383)	(2 048)	(2 191)	(2 356)
Transfers and Grants	1	-							-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		235 346	22 905	(13 364)	(6 752)	(6 752)	(6 752)	(6 752)	12 418	21 808	29 449
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		304	2 500	14 400	29 000	29 000	29 000	29 000	23 000	24 610	26 455
Decrease (Increase) in non-current debtors			-		2 300	2 300	2 300	2 300	300	350	450
Decrease (increase) other non-current receivables			1 495	2 300	450	450	450	450	175	200	225
Decrease (increase) in non-current investments			-						450	500	525
Payments											
Capital assets		(216 000)	(20 000)	(26 782)	(31 700)	(31 700)	(31 700)	(31 700)	(18 159)	(15 598)	(16 255)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(215 696)	(16 005)	(10 082)	50	50	50	50	5 766	10 062	11 400
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans			(2 100)	-					-	-	-
Borrowing long term/refinancing			-	7 800	8 400	8 400	8 400	8 400	10 500	14 000	22 500
Increase (decrease) in consumer deposits			-	250	125	125	125	125	109	180	215
Payments											
Repayment of borrowing			(5 694)	(1 130)					(3 000)	(3 500)	(3 850)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	(7 794)	6 920	8 525	8 525	8 525	8 525	7 609	10 680	18 865
NET INCREASE/ (DECREASE) IN CASH HELD											
		19 650	(894)	(16 526)	1 823	1 823	1 823	1 823	25 793	42 550	59 714
Cash/cash equivalents at the year begin:	2								(5 000)	20 793	63 343
Cash/cash equivalents at the year end:	2	19 650	(894)	(16 526)	1 823	1 823	1 823	1 823	20 793	63 343	123 057

1.13.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table does not meet the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

1.13.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality.

1.13.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

1.13.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in the previous page. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

1.13.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

1.13.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are

consuming over the medium term. For the 2015/16 MTREF the indicative outcome is a deficit of R5,298 million, a surplus of R3,474 million (2016/17) and R10,251 million (2017/18).

It needs to be noted that a surplus or deficit does not necessarily mean that the budget is funded from a cash flow perspective.

1.13.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

1.13.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget

1.13.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 5,79 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

1.13.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 100 per cent payments has been factored into the cash position forecasted over the entire financial year.

1.13.4.9 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers and therefore no percentage is being shown as outstanding.

1.13.4.10 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

1.13.4.11 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained elsewhere in this report.

1.13.4.12 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained elsewhere in this report.

1.14 Expenditure on grants and reconciliations of unspent funds

MBRR SA19 - Expenditure on transfers and grant programmes

NC085 Tsantsabane - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		18 662	27 722	29 685	30 794	28 594	28 594	31 997	32 751	34 528
Local Government Equitable Share		15 990	25 422	26 145	27 060	24 860	24 860	28 192	28 784	30 150
Finance Management		1 450	1 500	1 650	1 800	1 800	1 800	1 875	2 010	2 345
Municipal Systems Improvement		790	800	890	934	934	934	930	957	1 033
EPWP Incentive		432	-	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Other transfers/grants [insert description]										
Provincial Government:		3 240	14 926	621	1 509	1 509	1 509	1 845	2 143	2 272
Health subsidy		2 732	959	-	424	424	424	-	-	-
Housing		-	13 470	-	-	-	-	-	-	-
Library Development Grant		508	497	621	1 085	1 085	1 085	1 845	2 143	2 272
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total operating expenditure of Transfers and Grants		21 902	42 648	30 306	32 303	30 103	30 103	33 842	34 894	36 800
Capital expenditure of Transfers and Grants										
National Government:		38 536	14 420	14 282	14 760	14 760	14 760	15 159	15 598	16 255
Municipal Infrastructure Grant (MIG)		11 888	14 420	14 282	14 760	14 760	14 760	15 159	15 598	16 255
Regional Bulk Infrastructure		26 648								
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
Total capital expenditure of Transfers and Grants		38 536	14 420	14 282	14 760	14 760	14 760	15 159	15 598	16 255
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		60 438	57 068	44 588	47 063	44 863	44 863	49 001	50 492	53 055

1.15 Councillor and employee benefits

MBRR SA22 - Summary of councillor and staff benefits

NC085 Tsantsabane - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		1 711	1 760	1 868	2 027	2 127	2 127	2 043	2 186	2 350
Pension and UIF Contributions		217	204							
Medical Aid Contributions		-	-							
Motor Vehicle Allowance		510	546	624	636	636	636	603	645	693
Cellphone Allowance		-	116	159	229	229	229	269	288	309
Housing Allowances		-	-							
Other benefits and allowances		-	-	181						
Sub Total - Councillors		2 438	2 626	2 831	2 892	2 992	2 992	2 915	3 119	3 352
% increase	4		7.7%	7.8%	2.1%	3.5%	-	(2.6%)	7.0%	7.5%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1 914	3 291	2 333	4 800	4 800	4 800	5 150	5 511	5 924
Pension and UIF Contributions		7	-							
Medical Aid Contributions		-	-							
Overtime		-	-							
Performance Bonus		-	337		672	672	672	721	772	829
Motor Vehicle Allowance	3	768	-	976						
Cellphone Allowance	3	-	-							
Housing Allowances	3	-	-							
Other benefits and allowances	3	-	-	857						
Payments in lieu of leave		-	-	118						
Long service awards		-	-							
Post-retirement benefit obligations	6	-	-							
Sub Total - Senior Managers of Municipality		2 689	3 628	4 284	5 472	5 472	5 472	5 871	6 283	6 753
% increase	4		34.9%	18.1%	27.7%	-	-	7.3%	7.0%	7.5%
Other Municipal Staff										
Basic Salaries and Wages		18 438	24 260	27 425	35 046	36 466	36 466	34 907	37 350	40 152
Pension and UIF Contributions		2 838	4 159	4 381	6 116	6 116	6 116	5 998	6 418	6 899
Medical Aid Contributions		813	2 649	1 719	360	360	360	2 607	2 790	2 999
Overtime		3 544	3 611	4 440	2 301	4 230	4 230	5 895	6 307	6 780
Performance Bonus		-	-	-						
Motor Vehicle Allowance	3	774	2 264	2 927	3 011	3 011	3 011	4 250	4 548	4 890
Cellphone Allowance	3	-	175	17	257	257	257	158	169	182
Housing Allowances	3	83	128	64	157	157	157	130	139	150
Other benefits and allowances	3	3 301	5 047	2 397	4 125	4 125	4 125	3 876	4 146	4 458
Payments in lieu of leave		226	397							
Long service awards		139	11		890	890	890	52	56	60
Post-retirement benefit obligations	6	380	-							
Sub Total - Other Municipal Staff		30 536	42 702	43 370	52 263	55 612	55 612	57 873	61 923	66 570
% increase	4		39.8%	1.6%	20.5%	6.4%	-	4.1%	7.0%	7.5%
Total Parent Municipality		35 663	48 956	50 485	60 627	64 076	64 076	66 659	71 325	76 675
			37.3%	3.1%	20.1%	5.7%	-	4.0%	7.0%	7.5%
Board Members of Entities										
Basic Salaries and Wages										
Post-retirement benefit obligations	6									
Sub Total - Board Members of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Senior Managers of Entities										
Basic Salaries and Wages										
Sub Total - Senior Managers of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Other Staff of Entities										
Basic Salaries and Wages										
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS										
		35 663	48 956	50 485	60 627	64 076	64 076	66 659	71 325	76 675
% increase	4		37.3%	3.1%	20.1%	5.7%	-	4.0%	7.0%	7.5%
TOTAL MANAGERS AND STAFF	5,7	33 225	46 330	47 654	57 735	61 084	61 084	63 744	68 206	73 323

MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/senior managers)

NC085 Tsantsabane - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4	1	510 762		183 126			693 888
Chief Whip								-
Executive Mayor								-
Deputy Executive Mayor								-
Executive Committee								-
Total for all other councillors		10	1 532 280		688 538			2 220 818
Total Councillors	8	11	2 043 042	-	871 664			2 914 706
Senior Managers of the Municipality	5							
Municipal Manager (MM)		1	1 287 600					1 287 600
Chief Finance Officer		1	965 700					965 700
								-
<i>List of each official with packages >= senior manager</i>								
Director Community Services		1	965 700					965 700
Director Technical Services		1	965 700					965 700
Director Corporate Services		1	965 700					965 700
								-
								-
Total Senior Managers of the Municipality	8,10	5	5 150 400	-	-	-		5 150 400
A Heading for Each Entity	6,7							
List each member of board by designation								-
								-
								-
Total for municipal entities	8,10	-	-	-	-	-		-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	16	7 193 442	-	871 664	-		8 065 106

1.16 Monthly targets for revenue, expenditure and cash flow

NC085 Tsantsabane - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description		Ref	Budget Year 2015/16											Medium Term Revenue and Expenditure Framework				
R thousand			July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	
Revenue By Source																		
Property rates			18 050	722	728	720	702	700	708	735	733	729	735	738	26 000	29 520	32 733	
Property rates - penalties & collection charges														-	-	-	-	
Service charges - electricity revenue			5 005	4 801	4 625	4 198	4 154	4 078	4 001	4 052	4 222	4 338	4 689	2 444	50 607	62 548	71 719	
Service charges - water revenue			2 006	2 108	2 305	2 080	2 689	2 985	3 008	2 950	2 224	2 158	2 058	1 947	28 518	31 559	34 890	
Service charges - sanitation revenue			1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 020	1 030	12 250	13 608	15 378	
Service charges - refuse revenue			875	875	875	875	875	875	875	875	875	875	875	880	10 506	12 661	15 356	
Service charges - other														-	-	-	-	
Rental of facilities and equipment			19	19	19	19	19	19	19	19	19	19	19	21	230	246	265	
Interest earned - external investments			43	43	43	43	43	43	43	43	43	43	43	43	510	546	587	
Interest earned - outstanding debtors														-	-	-	-	
Dividends received														-	-	-	-	
Fines			26	26	26	26	26	26	26	26	26	26	26	26	310	332	357	
Licences and permits			32	32	32	32	32	32	32	32	32	32	32	32	383	410	441	
Agency services			67	67	67	67	67	67	67	67	67	67	67	67	800	856	920	
Transfers recognised - operational			14 000				9 000				7 997			-	30 997	31 825	33 604	
Other revenue			405	405	400	400	405	402	401	406	405	404	408	404	4 844	4 562	4 811	
Gains on disposal of PPE								15 000	5 000	3 000				-	23 000	24 610	26 455	
Total Revenue (excluding capital transfers and contributions)			41 547	10 117	10 139	9 479	19 031	25 246	15 198	13 224	17 662	9 710	9 971	7 632	188 955	213 283	237 516	
Expenditure By Type																		
Employee related costs			5 189	5 190	5 099	5 058	5 298	6 668	5 099	5 328	5 189	5 188	5 028	5 410	63 744	68 206	73 321	
Remuneration of councillors			234	234	238	235	237	234	339	229	236	245	225	229	2 915	3 119	3 353	
Debt impairment			860	860	860	860	860	860	860	860	860	860	860	870	10 330	11 053	11 882	
Depreciation & asset impairment			1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 269	1 274	15 227	16 293	17 515	
Finance charges					512			512			512			512	2 048	2 191	2 356	
Bulk purchases			4 445	4 021	3 520	3 580	3 555	3 150	3 358	3 390	3 421	3 501	3 180	3 129	42 250	46 910	52 173	
Other materials			699	699	699	699	699	699	699	699	699	699	699	699	8 388	8 972	9 639	
Contracted services														-	-	-	-	
Transfers and grants														-	-	-	-	
Other expenditure			4 258	3 998	3 996	3 809	4 357	4 369	4 115	4 099	4 022	4 115	4 119	4 094	49 351	53 065	57 025	
Loss on disposal of PPE														-	-	-	-	
Total Expenditure			16 954	16 271	16 193	15 510	16 275	17 761	15 739	15 874	16 208	15 877	15 380	16 217	194 253	209 809	227 264	
Surplus/(Deficit)			24 593	(6 154)	(6 054)	(6 031)	2 756	7 485	(540)	(2 650)	1 454	(6 167)	(5 409)	(8 585)	(5 298)	3 474	10 252	
Transfers recognised - capital														-	-	-	-	
Contributions recognised - capital														-	-	-	-	
Contributed assets														-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions			24 593	(6 154)	(6 054)	(6 031)	2 756	7 485	(540)	(2 650)	1 454	(6 167)	(5 409)	(8 585)	(5 298)	3 474	10 252	
Taxation														-	-	-	-	
Attributable to minorities														-	-	-	-	
Share of surplus/ (deficit) of associate														-	-	-	-	
Surplus/(Deficit)			1	24 593	(6 154)	(6 054)	(6 031)	2 756	7 485	(540)	(2 650)	1 454	(6 167)	(5 409)	(8 585)	(5 298)	3 474	10 252

MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

NC085 Tsantsabane - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue - Standard																
<i>Governance and administration</i>		31 350	696	680	699	11 700	672	15 690	8 695	9 130	755	725	703	81 495	87 483	94 441
Executive and council								15 000	8 000				-	23 000	24 610	26 456
Budget and treasury office		13 000				11 000				8 485			-	32 485	33 343	35 240
Corporate services		18 350	696	680	699	700	672	690	695	645	755	725	703	26 010	29 530	32 745
<i>Community and public safety</i>		238	113	113	215	112	122	114	213	130	10	100	354	1 834	1 486	1 575
Community and social services		113	113	113	115	112	122	114	113	130	10	100	203	1 358	977	1 028
Sport and recreation		125			100				100				151	476	509	547
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	250	1 750	1 200	545	-	-	3 745	3 938	4 157
Planning and development													-	-	-	-
Road transport								250	1 750	1 200	545		-	3 745	3 938	4 157
Environmental protection													-	-	-	-
<i>Trading services</i>		10 221	9 925	9 126	8 182	7 660	8 687	8 023	7 775	6 385	7 340	8 771	9 786	101 881	120 376	137 343
Electricity		6 120	5 998	5 020	4 008	3 380	3 410	3 100	2 914	2 288	3 550	4 995	5 824	50 607	62 548	71 719
Water		2 206	2 030	2 222	2 200	2 350	3 377	3 022	2 998	2 200	2 017	1 790	2 106	28 518	31 559	34 890
Waste water management		1 020	1 022	1 009	1 099	1 055	1 025	1 026	988	1 022	898	1 111	975	12 250	13 608	15 378
Waste management		875	875	875	875	875	875	875	875	875	875	875	881	10 506	12 661	15 356
<i>Other</i>													-	-	-	-
Total Revenue - Standard		41 809	10 734	9 919	9 096	19 472	9 481	24 077	18 433	16 845	8 650	9 596	10 843	188 955	213 283	237 516
Expenditure - Standard																
<i>Governance and administration</i>		4 696	4 696	4 696	4 696	4 696	4 696	4 696	4 696	4 696	4 696	4 696	4 682	56 338	60 703	65 385
Executive and council		1 395	1 395	1 395	1 395	1 395	1 395	1 395	1 395	1 395	1 395	1 395	1 383	16 728	17 898	19 241
Budget and treasury office		2 371	2 371	2 371	2 371	2 371	2 371	2 371	2 371	2 371	2 371	2 371	2 375	28 456	30 439	32 911
Corporate services		930	930	930	930	930	930	930	930	930	930	930	924	11 154	12 366	13 233
<i>Community and public safety</i>		2 052	2 055	2 070	2 153	2 061	1 994	2 091	2 096	2 081	2 076	2 033	2 125	24 887	26 533	28 370
Community and social services		822	815	800	880	815	805	840	830	800	799	798	845	9 849	10 349	10 972
Sport and recreation		622	650	653	665	670	651	642	630	680	658	685	712	7 918	8 472	9 108
Public safety		472	460	480	465	455	422	464	488	471	500	405	443	5 525	5 913	6 356
Housing		88	86	85	88	81	78	90	88	84	89	95	83	1 035	1 107	1 190
Health		48	44	52	55	40	38	55	60	46	30	50	42	560	692	744
<i>Economic and environmental services</i>		1 408	1 422	1 399	1 385	1 502	1 400	1 406	1 380	1 398	1 499	1 294	1 301	16 794	17 900	19 242
Planning and development													-	-	-	-
Road transport		1 408	1 422	1 399	1 385	1 502	1 400	1 406	1 380	1 398	1 499	1 294	1 301	16 794	17 900	19 242
Environmental protection													-	-	-	-
<i>Trading services</i>		8 395	8 668	8 587	7 958	8 313	8 324	8 574	8 701	7 729	7 268	6 910	6 807	96 234	104 673	114 267
Electricity		4 720	4 600	3 654	2 825	2 980	2 999	3 150	3 388	3 099	3 140	3 085	3 019	40 659	43 799	47 242
Water		1 352	1 745	2 610	2 810	3 010	3 002	3 101	2 990	2 307	1 805	1 502	1 456	27 690	31 036	34 950
Waste water management		1 468	1 468	1 468	1 468	1 468	1 468	1 468	1 468	1 468	1 468	1 468	1 470	17 618	18 853	20 266
Waste management		855	855	855	855	855	855	855	855	855	855	855	862	10 267	10 985	11 809
<i>Other</i>													-	-	-	-
Total Expenditure - Standard		16 551	16 841	16 752	16 192	16 572	16 414	16 767	16 873	15 904	15 539	14 933	14 915	194 253	209 809	227 264
Surplus/(Deficit) before assoc.		25 258	(6 107)	(6 833)	(7 096)	2 900	(6 933)	7 310	1 560	941	(6 889)	(5 337)	(4 073)	(5 298)	3 474	10 252
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	25 258	(6 107)	(6 833)	(7 096)	2 900	(6 933)	7 310	1 560	941	(6 889)	(5 337)	(4 073)	(5 298)	3 474	10 252

MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

NC085 Tsantsabane - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand																
Revenue by Vote																
Vote 1 - Executive & Council						13 000	7 000	3 000					-	23 000	24 610	26 456
Vote 2 - Budget & Treasury		16 207	2 340	2 208	2 505	13 207	2 002	1 998	2 211	9 207	2 209	2 212	2 179	58 485	62 863	67 973
Vote 3 - Corporate Services		19	19	19	19	19	19	19	19	19	19	19	19	228	244	263
Vote 4 - Community & Social Services		95	93	91	92	90	89	88	87	99	98	99	107	1 128	731	764
Vote 5 - Sport & Recreation		35	39	40	41	40	45	45	43	42	40	40	26	476	509	547
Vote 6 - Public Safety		131	131	131	131	131	131	131	131	131	131	131	124	1 565	1 675	1 800
Vote 7 - Road Transport		182	182	182	182	182	182	182	182	182	182	182	178	2 180	2 263	2 357
Vote 8 - Electricity		4 789	4 800	4 652	4 218	4 208	4 001	3 991	3 899	4 299	4 318	4 050	3 382	50 607	62 548	71 719
Vote 9 - Water		2 522	2 005	2 399	2 374	2 882	2 774	2 665	2 484	2 108	2 089	2 101	2 115	28 518	31 559	34 890
Vote 10 - Waste Water Management		1 020	1 035	1 088	1 095	995	998	999	1 050	1 105	1 205	990	670	12 250	13 608	15 378
Vote 11 - Waste Management		875	875	888	881	880	875	858	845	865	855	899	910	10 506	12 661	15 356
Vote 12 - Housing													-	-	-	-
Vote 13 - Planning & Development									12				-	12	12	13
Vote 14 - Health													-	-	-	-
Vote 15 - Other													-	-	-	-
Total Revenue by Vote		25 875	11 519	11 698	11 538	35 634	18 116	13 976	10 963	18 057	11 146	10 723	9 710	188 955	213 283	237 516
Expenditure by Vote to be appropriated																
Vote 1 - Executive & Council		1 394	1 394	1 394	1 394	1 394	1 394	1 394	1 394	1 394	1 394	1 394	1 394	16 728	17 898	19 241
Vote 2 - Budget & Treasury		2 371	2 371	2 371	2 371	2 371	2 371	2 371	2 371	2 371	2 371	2 371	2 375	28 456	30 439	32 910
Vote 3 - Corporate Services		1 189	1 189	1 189	1 189	1 189	1 189	1 189	1 189	1 189	1 189	1 189	1 190	14 269	15 987	17 085
Vote 4 - Community & Social Services		561	561	561	561	561	561	561	561	561	561	561	562	6 733	6 728	7 120
Vote 5 - Sport & Recreation		660	660	660	660	660	660	660	660	670	606	625	737	7 918	8 472	9 109
Vote 6 - Public Safety		523	523	523	523	523	523	523	523	523	523	523	526	6 279	6 718	7 222
Vote 7 - Road Transport		1 045	1 040	1 030	1 090	1 080	1 070	1 010	992	1 040	1 099	1 180	812	12 488	13 292	14 289
Vote 8 - Electricity		3 882	3 698	3 402	3 388	3 300	3 125	3 008	3 125	3 032	3 005	3 001	4 693	40 659	43 799	47 242
Vote 9 - Water		1 895	1 998	2 200	2 690	2 848	2 958	2 688	2 750	2 105	1 950	1 897	1 711	27 690	31 036	34 950
Vote 10 - Waste Water Management		1 468	1 468	1 468	1 468	1 468	1 468	1 468	1 468	1 468	1 468	1 468	1 470	17 618	18 853	20 266
Vote 11 - Waste Management		855	855	855	855	855	855	855	855	855	855	855	862	10 267	10 985	11 809
Vote 12 - Housing		95	96	84	88	82	80	81	82	80	80	99	88	1 035	1 107	1 190
Vote 13 - Planning & Development									12				0	12	13	13
Vote 14 - Health		46	46	46	46	46	46	46	46	46	46	46	54	560	692	744
Vote 15 - Other		295	295	295	295	295	295	295	295	295	295	295	296	3 542	3 790	4 074
Total Expenditure by Vote		16 279	16 194	16 078	16 618	16 672	16 595	16 149	16 323	15 629	15 442	15 504	16 769	194 253	209 809	227 264
Surplus/(Deficit) before assoc.		9 596	(4 675)	(4 380)	(5 080)	18 962	1 521	(2 173)	(5 360)	2 428	(4 296)	(4 781)	(7 059)	(5 298)	3 474	10 252
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	9 596	(4 675)	(4 380)	(5 080)	18 962	1 521	(2 173)	(5 360)	2 428	(4 296)	(4 781)	(7 059)	(5 298)	3 474	10 252

MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

NC085 Tsantsabane - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand																
Multi-year expenditure to be appropriated	1															
Vote 1 - Executive & Council													-	-	-	-
Vote 2 - Budget & Treasury													-	-	-	-
Vote 3 - Corporate Services													-	-	-	-
Vote 4 - Community & Social Services													-	-	-	-
Vote 5 - Sport & Recreation													-	-	-	-
Vote 6 - Public Safety													-	-	-	-
Vote 7 - Road Transport		3 000	3 000	3 000	3 000	3 000	3 159						-	18 159	15 598	16 255
Vote 8 - Electricity													-	-	-	-
Vote 9 - Water			500	500	1 000	2 000		1 200	2 000	800			-	8 000	9 500	12 000
Vote 10 - Waste Water Management													-	-	-	-
Vote 11 - Waste Management													-	-	-	-
Vote 12 - Housing								500	500	500	500	500	-	2 500	4 500	6 000
Vote 13 - Planning & Development													-	-	-	-
Vote 14 - Health													-	-	-	-
Vote 15 - Other													-	-	-	-
Capital multi-year expenditure sub-total	2	3 000	3 500	3 500	4 000	5 000	3 159	1 700	2 500	1 300	500	500	-	28 659	29 598	34 255
Single-year expenditure to be appropriated																
Vote 1 - Executive & Council										200	200	173	-	573	321	4 573
Vote 2 - Budget & Treasury										500	300	356	300	1 456	900	300
Vote 3 - Corporate Services										300	500	320	424	1 544	710	735
Vote 4 - Community & Social Services										15	40	45	31	131	125	142
Vote 5 - Sport & Recreation												50	65	115	132	155
Vote 6 - Public Safety									100	100	120	150	122	592	626	690
Vote 7 - Road Transport													-	-	-	-
Vote 8 - Electricity													-	-	-	-
Vote 9 - Water													-	-	-	-
Vote 10 - Waste Water Management													-	-	-	-
Vote 11 - Waste Management													80	80	100	120
Vote 12 - Housing													-	-	-	-
Vote 13 - Planning & Development													-	-	-	-
Vote 14 - Health													-	-	-	-
Vote 15 - Other													-	-	-	-
Capital single-year expenditure sub-total	2	-	-	-	-	-	-	-	100	1 115	1 160	1 094	1 022	4 491	2 914	6 715
Total Capital Expenditure	2	3 000	3 500	3 500	4 000	5 000	3 159	1 700	2 600	2 415	1 660	1 594	1 022	33 150	32 512	40 970

MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

NC085 Tsantsabane - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital Expenditure - Standard	1															
<i>Governance and administration</i>		185	400	900	950	550	159	306	85	38	-	-	-	3 573	1 931	5 608
Executive and council					200	150		100	85	38			-	573	321	4 573
Budget and treasury office				500	500	250		206	-				-	1 456	900	300
Corporate services		185	400	400	250	150	159						-	1 544	710	735
<i>Community and public safety</i>		30	30	180	125	100	100	125	148	450	550	1 000	500	3 338	5 383	6 987
Community and social services								50	81				-	131	125	142
Sport and recreation		30	30	55									-	115	132	155
Public safety				125	125	100	100	75	67				-	592	626	690
Housing										450	550	1 000	500	2 500	4 500	6 000
Health													-	-	-	-
<i>Economic and environmental services</i>		3 000	3 000	3 000	3 000	3 000	2 000	1 159	-	-	-	-	-	18 159	15 598	16 255
Planning and development													-	-	-	-
Road transport		3 000	3 000	3 000	3 000	3 000	2 000	1 159					-	18 159	15 598	16 255
Environmental protection													-	-	-	-
<i>Trading services</i>		1 500	1 500	1 500	1 800	1 700	-	-	-	-	-	80	-	8 080	9 600	12 120
Electricity													-	-	-	-
Water		1 500	1 500	1 500	1 800	1 700							-	8 000	9 500	12 000
Waste water management													-	-	-	-
Waste management												80	-	80	100	120
<i>Other</i>													-	-	-	-
Total Capital Expenditure - Standard	2	4 715	4 930	5 580	5 875	5 350	2 259	1 590	233	488	550	1 080	500	33 150	32 512	40 970
Funded by:																
National Government		3 000	3 000	1 500	3 000	3 000	2 000	1 159					1 500	18 159	15 598	16 255
Provincial Government				81									-	81	-	-
District Municipality													-	-	-	-
Other transfers and grants													-	-	-	-
Transfers recognised - capital		3 000	3 000	1 581	3 000	3 000	2 000	1 159	-	-	-	-	1 500	18 240	15 598	16 255
Public contributions & donations													-	-	-	-
Borrowing								1 500	2 000	2 000	3 000	2 000	-	10 500	14 000	22 500
Internally generated funds		500	900	800	800	450	100	75	75	75	75	75	485	4 410	2 914	2 215
Total Capital Funding		3 500	3 900	2 381	3 800	3 450	2 100	2 734	2 075	2 075	3 075	2 075	1 985	33 150	32 512	40 970

1.17 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

1.18 Capital expenditure details

The capital budget is attached as a separate document.

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was not fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has improved. The CFO needs to take Actions to comply with above. The Municipalities website is active as and needs to publish the information on the Municipality's website.
2. Internship programme
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five (5) interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA. Additional staff needs to be appointed to help with the compilation of the budget, Treasury reports and the AFS.
4. Audit Committee
The Audit Committee is non-functional. Adverts have been published in newspapers to appoint audit committee members. Tsantsabane Municipality will make use of the ZFM District Municipalities audit committee until a permanent committee has been appointed.
5. Service Delivery and Implementation Plan
The draft SDBIP document is available and will be approved as required by the MFMA. The draft SDBIP will be finalised after approval of the 2015/16 MTREF in May 2015 and will be directly aligned and informed by the 2015/16 MTREF.
6. Annual Report
The 2013/14 Annual report is compiled in terms of the MFMA and National Treasury requirements. The Oversight Committee did review the Annual Report and did make recommendations to the Council. Council will consider the recommendations during the March 2015 council meeting.
7. MFMA Training
The MFMA training module in electronic format is presented at the Municipality's internal centre and training is on-going.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

1.19 Municipal Manager's quality certificate

I, HG Mathobela, Municipal Manager of Tsantsabane Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Mr HG Mathobela

Municipal Manager of Tsantsabane Municipality

Signature : _____

Date :31/03/2015